

FINANCIAL TIMES

Shaking up Shell

The search for a harder edge
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UK economy

Optimistic arithmetic
Samuel Brittan, Page 14

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Transforming the video world
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THURSDAY MARCH 30 1995

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Deutsche Bank profits at \$2.9bn after 23% decline

Deutsche Bank is optimistic about this year after profits at Germany's largest bank fell sharply as a result of the weakness of world bond markets.



Chairman Hilmar Kopper (left) said he expected an improvement this year after operating profits for 1994 fell 23 per cent to DM4.05bn (\$2.9bn), putting them back to the level of 1991. The first two months had been encouraging, he said - it will not be a dramatically good year, but it will certainly be better than last year. Page 17; Lex, Page 16

Britain blocks EU protest letter: Britain drew Spanish anger when it blocked an "unhelpful" EU letter of protest to Canada over the North Atlantic fishing rights dispute. Page 16

Philippines sues airline chairman: The Philippine government said it would sue Lucio Tan, the chairman of Philippine Airlines, for \$1bn in unpaid taxes after failing to resolve a row over a rescue plan for the ailing national carrier. Page 16

Republican tax bill "in trouble": US speaker Newt Gingrich conceded the Republican's tax bill was "in some trouble" as it emerged that any cut is likely to be much less than the \$189bn proposed in the Contract with America. Page 4

VW improves sales: Volkswagen, Europe's leading volume car producer, raised sales by 3 per cent in the first quarter this year, confirming a recovery in its leading markets. Turnover for the three months increased to DM20.6bn (\$14.8bn) from DM20bn in the same period last year. Page 17

Germany suspends Turkish arms: Germany, increasingly critical of Turkey's continuing occupation of northern Iraq, announced it would suspend further military deliveries. Page 3

UK troops may train in Poland: British troops may start training in Poland after fears that training grounds in southern England might sustain unacceptable environmental damage if all exercises were carried out in the UK. Page 10

US auctions pollution allowances: The cost of creating acid rain in the US fell this week as the Chicago Board of Trade conducted the US Environmental Protection Agency's third auction of sulphur dioxide pollution allowances. Page 20

Clark shares jump 50%: Shares in US machinery manufacturer Clark Equipment, jumped more than 50 per cent on news that it had been the subject of a \$1.3bn takeover approach by rival Ingersoll-Rand. Page 20

UN official criticises Bosnian: Yasushi Akashi, the top UN official in former Yugoslavia, strongly criticised the Moslem-led Bosnian government for launching the sustained offensive which has derailed a countrywide ceasefire. Page 3

China approves HK airport law: Beijing approved a law to create the Airport Corporation, operator of Hong Kong's proposed new airport in a move seen as a step towards resolving negotiations over building the airport. Page 8

Sprint group to invest \$4.4bn: The US telecoms consortium formed last October by long-distance telephone company, Sprint, and three cable TV operators, is to invest \$4.4bn over the next three years. Page 20; Lex, Page 16

US calls for Libyan embargo: US call for a UN embargo on oil exports from Libya is the latest action aimed at isolating Iran, Iraq and Libya, the three Middle Eastern governments which Washington perceives as threats. Page 9

Nigeria loses \$195m loan: The World Bank has cancelled a \$195m loan for telecommunications in Nigeria because of the government's failure to reform the state-owned NITEL. Page 9

Three killed in Gaza border crash: A Palestinian truck driver and two Israeli border policemen were killed and two policemen wounded in a collision and shooting in the Palestinian-ruled Gaza Strip, officials said.

Suard appeal date set: The Paris appeal court will hear on April 5 a request to lift controls on Alcatel Alsthom chairman Pierre Suard which prevent him from running the company.

France braces for travel strikes: France prepared for travel chaos today when unions representing airline, railway and Paris metro employees plan a day of strikes over pay and job security.

STOCK MARKET INDICES	
New York: Dow Jones Ind. 4,184.00 (+42.19)	FTSE 100 1,142.3 (+14.0)
NASDAQ Composite 289.68 (+2.54)	Nikkei 18,480.7 (+221.8)
Europe and Far East	
CAC 40 1,882.42 (+15.23)	London: close 3,383.3 (382.15)
DAX 1,918.88 (+7.32)	
FTSE 100 1,142.3 (+14.0)	
Nikkei 18,480.7 (+221.8)	

US LUNCHTIME RATES	
Federal Funds 6.75%	
3-mth Treas Bill Yld 5.817%	
Long Bond 10.4%	
Yield 7.251%	

OTHER RATES	
UK 3-mo interbank 5.712%	(100.2)
UK 10 yr Gilt 9.81%	(98.52)
France 10 yr Gilt 7.43%	(98.52)
Germany 10 yr Bund 7.43%	(101.36)
Japan 10 yr JGB 7.43%	(108.234)

NORTH SEA OIL (Argus)	
Brent 15-day (May) \$17.41	(17.225)
Tokyo close: ¥ 68.90	

Australia \$20.50	Denmark \$20.50	Finland \$20.50	France \$20.50	Germany \$20.50
Greece \$20.50	Hong Kong \$20.50	Italy \$20.50	Japan \$20.50	Libya \$20.50
Morocco \$20.50	Nigeria \$20.50	Poland \$20.50	Portugal \$20.50	Spain \$20.50
Saudi Arabia \$20.50	Singapore \$20.50	South Africa \$20.50	Sweden \$20.50	Switzerland \$20.50
Taiwan \$20.50	Thailand \$20.50	Turkey \$20.50	UAE \$20.50	UK \$20.50

Senior managers facing redundancy in radical corporate restructuring Shell shake-up hits 1,200 jobs

By Robert Corzine in London

Royal Dutch Shell, the Anglo-Dutch group, yesterday proposed its biggest corporate shake-up in 30 years in an attempt to boost its financial performance.

About 1,200 of the 3,900 staff at Shell's service companies in The Hague and London are likely to lose their jobs in the proposed restructuring.

Senior managers, including some of Shell's powerful "regional barons" will be among the redundancies, according to company officials. They say there is scope in the proposals for "generational change" within the ranks of senior managers.

But the main aim of the plan, which has been worked out over the past six months with McKinsey, the management con-

sultants, is the elimination of layers of bureaucracy worldwide, a reduction of the "committee culture" and the streamlining of decision-making in Europe's largest company.

Mr Cor Herkstroter, the Dutch chairman of Shell's top-level committee of managing directors, yesterday said the company's "flagging performance" against its international competitors had triggered the changes.

Although the Shell Group reported net income of \$3bn (\$6.4bn) last year, Mr Herkstroter said: "There are too many clear instances where we are outperformed by our competitors."

Shell's underlying return on capital employed of about 10 per cent was "modest", he said. It was also insufficient to "sustain the plans which we would like to carry out for the longer term."

Barons swept out of fiefdom Page 15
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Lex Page 16

In speeches to employees in The Hague and London, Mr Herkstroter said the present organisation of the company was ill-suited to a business environment of flat oil prices and growing competition.

Under Dutch law, Shell's works councils in the Netherlands must be consulted about the proposals before they can go ahead. The company hopes to implement them by October.

Analysts generally welcomed the proposed shake-up. Shares in Shell Transport and Trading, however, closed unchanged

at 755p in London yesterday. The complex shareholding structure between the Dutch and British units of the company will not be affected by the plan, which also excludes Shell Oil, the group's US arm.

The redundancies will be mainly confined to the European-based service companies that provide legal, accounting and other administrative support. The proposed job cuts should result in eventual cost savings of about \$100m a year, say analysts. But the company has declined to disclose the savings it hopes to achieve through the restructure.

The biggest proposed change is the break-up of the geographical units around which the company is currently organised, and which critics say encourage the growth of powerful regional fiefdoms. These will be replaced by sepa-

rate worldwide business units for each of Shell's main businesses, including exploration and production, oil products (refining and marketing), chemicals, gas and coal.

These will be led by a business committee of between six and eight senior executives. They will develop global and regional strategies as well as approve capital spending plans. Decisions will be taken jointly, with a member of the four-man committee of managing directors overseeing each unit in a non-executive capacity.

The group's top four executives will not be affected by the changes. They will continue to set Shell's overall direction and policies and appraise the performance of the group. They will be supported by a corporate centre in The Hague and London of about 300 people.

Europe to get 500 more TV channels by 1997

By Raymond Snoddy in London

Europe is facing an explosion of digital television with more than 500 channels likely to come on stream in the next two years.

More than 90 per cent of capacity on three all-digital satellites due for launch between now and the first half of 1997 by Societe Europeenne des Satellites de Luxembourg is either contracted or already under option.

The sums being committed to the future of digital satellite television run to hundreds of millions of pounds because most of the deals agreed are for 10 years. Digital television allows six to 12 TV channels to be squeezed from a single transponder. Current analogue technology broadcasts only one channel.

Two broadcasters, Canal Plus, the French subscription television company, and Nethold, the pay TV company with subsidiaries in 40 countries, have announced plans to launch digital television services before the end of this year.

SES, operator of the Astra satellite system, is believed to have agreed deals with other broadcasters which are still to be announced or are awaiting formal clearance from the Luxembourg government. These are believed to include British Sky Broadcasting, the satellite venture in which Pearson, owner of the Financial Times, has a significant stake, and the Kirch organisation in Germany.

The three Astra digital satellites will carry a total of 56 transponders, each of which will be able to broadcast up to 10 channels of VHS quality.

Apart from adding to the total number of channels available, the digital revolution will almost certainly concentrate on two forms of new services.

One will be "near video-on-demand". This will allocate as many as 60 channels to the top 10 films at any one time. Each film will appear on six channels, with staggered starting times so that viewers are never more than 20 minutes or so away from the start of the film they want to see. The other main group of services will involve multiplexing: repeating the same television programmes in different order across several channels to offer greater viewing choice. Multiplexing is also being used by MTV to vary advertising in different markets.

Digital choice came closer on Tuesday when Eutelsat, the rival to Astra, successfully launched its Hot Bird 1 satellite, which can be used either for analogue or digital channels. It is probable that at least half the 18 channels will be used for digital purposes.



Controversy as EU gives go-ahead for new Athens airport

By Emma Tucker in Brussels and Peter Marsh in London

The European Commission yesterday gave the Greek government permission to press ahead with controversial plans for a new international airport at Athens.

A majority of commissioners in Brussels voted not to open an investigation into allegations that the Greek socialist government violated internal market rules on public procurement while awarding the €2.6bn contract to a consortium led by Hochtief, the German construction company.

During a 4½ hour discussion the French, Belgian and British commissioners and Mr Mario Monti, the Italian commissioner responsible for the internal market, argued that further investigation was necessary to remove any doubts surrounding the project.

The commissioners also said failure to scrutinise the Greek government's alleged wrongdoings could damage the Commission's reputation, in particular its commitment to take action against countries that violate EU law.

But Greece has argued that any delay in building the airport would harm economic development and slow attempts to bring its economy into line with its EU partners.

The creation of a single market in public procurement - one of the most lucrative sectors of the EU market - has been dogged by the failure of member states to

implement the legislation that would make it a reality. But Greece has special dispensation from Brussels to delay implementing the legislation until 1995.

The Commission first investigated the project following complaints from subcontractors last year, after the Greek government insisted on changing contract terms agreed in 1993 by its Conservative predecessor.

A leading complainant was Dumez GTM, a French construction company which was the leader of a second consortium bidding for the contract.

Dumez complained the Greek government had unfairly handed the contract to Hochtief.

It alleged that the Hochtief side had been given information to enable it to make a more complete response to tendering documents.

Executives from the French consortium were reluctant to comment publicly on yesterday's events.

But they were thought to be bitter about the decision, having told the Commission privately before the meeting that to let the contract go ahead would set back the goal of issuing public contracts fairly across Europe.

A Commission official, who said the decision not to investigate the case was purely political, said yesterday: "We have concerns on the internal market, because we need to have the respect of the law."

"We have to ensure a level playing field and conformity with the treaty."

Major steers clear of European issues

UK prime minister John Major barely mentioned European policy during a London conference in which business leaders urged Britain to strengthen its commitment to the EU.

With Mr Major are former US secretary of state Henry Kissinger (left) and Lawrence Martin, director of the Royal Institute of International Affairs. Report, Page 16

There's nothing a Regent concierge can't handle.
Even a lullaby or two.



Continued on Page 16

Croat economy emerges from the ruins

Anthony Robinson and Laura Silber on the signs of recovery after three years of war

For most of the past year the currencies of bitter rivals Croatia and Serbia enjoyed an unexpected but welcome stability. Both countries abolished hyperinflation, virtually overnight and by similar methods of monetary rectitude, at the end of 1993.

For citizens of both countries it was the first breath of stability after three years of war preceded by a decade of overall economic stagnation. But while in Serbia inflation peaked at 1m per cent a month by the end of 1993, neighbouring Croatia "only" had to cope with a peak of just over 1,100 per cent annually when the Croatian government's stabilisation policy got under way in October 1993.

This week, however, the two currencies started to diverge again as the Serbian dinar, which is officially pegged at parity with the D-Mark, plummeted on the black market to a low of 4.5 dinars, before recovering to 2.2. The authorities recently introduced draconian penalties on black market currency trading to try to force Serbs back to official channels.

The Croatian kuna, meanwhile, appreciated against all currencies, including the strengthened D-Mark last year, and has continued to rise against the dollar and other currencies this year. As for internal purchasing power, the consumer price index actually fell by 3 per cent last year and inflation is expected to remain

within the 3-4 per cent range this year.

The central bank remains confident that tight control on government spending and the money supply will keep inflation subdued, even though an export-led recovery in industrial production and higher tourism and other invisible earnings are expected to boost overall gross domestic product growth to 7 per cent, barring political accidents and a resurgence of fighting.

Exports last year rose 9 per cent to \$4.2bn while imports rose 13 per cent to \$5.2bn. Despite the virtual absence of foreign tourists along much of the vulnerable Dalmatian coast, Italians, Germans and Austrians in the main have returned to Istria, far from the danger of renewed fighting. This has ensured a reduced but still substantial flow of tourist dollars. An estimated \$1.4bn from tourism last year helped the current account surplus reach \$103m while the capital account surplus doubled to \$568m.

Although the Croatian government does not publicise the fact, the much-maligned UN peacekeeping force, with 12,000 troops in Croatia and headquarters in Zagreb, contributed the equivalent of 9 per cent of the \$1.4bn GDP last year.

Last week, Croatia took another step toward normalising its financial relations by reaching agreement with the Paris Club of official creditors

for a 14-year rescheduling of its \$860m debt. No debt reduction was achieved, but creditors conceded a two-year grace period and a graduated repayment schedule which will keep the burden low in the first few years. Preliminary contacts have also begun with the London Club of commercial bank creditors on rescheduling an estimated \$1bn outstanding debt, plus interest arrears.

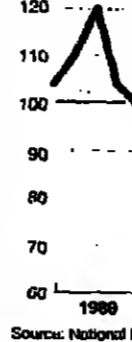
Mr Marko Skreh, head of the research department at the National Bank of Croatia, cautions, however, that macroeconomic stabilisation and the resumption of economic growth does not mean that Croatia is out of the economic woods. He quotes approvingly Mr Karl Schiller, the former German economics minister, who once said, "a process of the German economy, that 'stability is not everything, but without stability everything is nothing'."

This year Croatia must start microeconomic restructuring of enterprises and the financial sector and push ahead with privatisation which has hardly begun. Only a growing economy can resolve the problems caused by war and the legacy of the communist past, he says.

For, despite the superficial

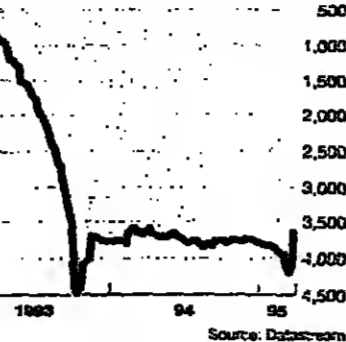
Croatia

GDP (1990=100)



Source: National Bank of Croatia

Dinar/kuna against the D-Mark (K per DM)



Source: Datastream

gloss of Zagreb, the independent country's elegant and partially refurbished capital, the past few years have seen a dramatic lowering of living standards for most of the 4.5m Croats living in a country where one third of the territory is still held by Serb forces.

"Real incomes rose strongly last year as a result of stabilisation but the GDP is still 63 per cent of 1990 levels and industrial production has dropped by a half over this period," he says.

General impoverishment has been accompanied by a widening of income differentials between low-paid workers, the more than 250,000 unemployed and 800,000 pensioners, and the "new class" of ostentatious

traders and "war lords". At the same time incomes of the middle and professional classes have been severely squeezed, leading to a damaging haemorrhage of trained and educated people and a deterioration in health, education and other standards.

"None of these problems can be solved by redistribution of existing levels of output. We have to create the conditions for sustained economic growth," he adds.

The normalisation of Croatia's external financial relations began with last year's agreement on a new IMF standby loan obliging the government to maintain the tight fiscal policies which have kept the budget deficit at minimal

levels of around 0.5 per cent of GDP, and to impose hard budget restraints on still mainly publicly owned enterprises.

The IMF put specific credit limits on 19 of the biggest loss-making enterprises, including the INA petrochemical group, the railways, the highways corporation and a string of often highly polluting as well as inefficient cement, engineering and metallurgical plants.

Many of these are prime targets for shrinking or possible closure once the long delayed privatisation programme gets into its stride. Whether the government will have the courage to press ahead with the painful structural reforms needed remains to be seen.

UN envoy hits out at Moslems

Mr Yasushi Akashi, the top United Nations official in former Yugoslavia, yesterday strongly criticised the Muslim-led Bosnian government for launching the sustained offensive which has derailed a country-wide ceasefire, writes Laura Silber in Belgrade. He said a lack of co-operation "by all sides, but especially the government side, underscores the need for the immediate return to the peace process to prevent a further deterioration in the situation. 'The parties to the conflict... appear determined to plunge Bosnia into a new war with incalculable consequences for the region as a whole.'"

His remarks come as UN operations face close scrutiny. The mandate formally expires tomorrow for the UN force in Croatia, where Croatian Serbs in 1991 took up arms against Zagreb, carrying out their own state on nearly a third of Croatian land.

Croatia has stepped back from its earlier threats to order the force out, but so far there has been no agreement on a new mandate. On Tuesday night the Croatian parliament said the new UN force must include Croatia in its name and also recognise

Croatia in its international borders. The UN Security Council later this week will consider the new mandate, which will cut by about half the 12,000 troops currently deployed in Serb-held regions of Croatia and along the more than 1,000km of front lines. The Bosnian ceasefire, which came into effect three months ago and is due to expire on April 30, continued to unravel yesterday. Mr Radovan Karadzic, Bosnian Serb leader, warned that his military, which already controls 70 per cent of Bosnia, would decide the republic's future borders unless a political settlement was brokered soon.

Bosnian government and Serb forces yesterday fought for the tenth day running in north-eastern and central Bosnia. On Mount Vlasica, north of the government stronghold of Travnik in central Bosnia, Serb forces were reported to have encircled their Muslim foes who earlier this week captured the local transmitter. By contrast, Bosnian government forces claimed to have gained ground in the north-east, near Mount Majevica - but Serbs still held the radio and television relay.

Germany blocks supplies for Turks

By Judy Dempsey in Bonn and John Barthan in Istanbul

The German government, increasingly critical of Turkey's continuing occupation of northern Iraq, yesterday announced it would suspend further military deliveries.

The decision follows President Sileyman Demirel's remark, subsequently retracted - that operations in northern Iraq against Kurdish militants might last for more than a year.

Mr Klaus Kinkel, the German foreign minister, yesterday confirmed he would also suspend DM150m (\$106m) of subsidies for the building of two Turkish frigates by a German consortium.

The military deliveries consist of a substantial amount of spare parts and surveillance materials. They form part of a military co-operation agreement between Bonn and Ankara which ended in 1992. However, the deliveries were due to continue until Bonn's obligations had been met.

Turkey yesterday dismissed calls from Germany, its closest ally in Europe, to cease its military incursion. Instead, officials said Mr Erdal Inönü, its foreign minister, would tour western capitals to explain the operation's objectives.

Contradictory statements by Turkish officials have worsened the confusion surrounding Ankara's real objectives in northern Iraq and the duration of its presence there.

On Monday, in a newspaper interview, Mrs Tansu Ciller, the prime minister, told critical western governments "I would withdraw my troops only on one condition: bring your troops to the region and give me border security."

Yesterday, Mr Kinkel responded: "Turkey has to pull out immediately. The United Nations will have to get massively involved with Turkey's problem and we will have clear which countries, should it come to it, would be prepared to send ground troops to control a buffer zone in northern Iraq."

However, Mr Ferhat Ataman, a Turkish foreign ministry spokesman, said: "Foreign troops would not contribute to a solution. Our position is well known: we will withdraw as soon as possible." Turkish commanders say withdrawal would only come after Kurdish Workers party guerrillas had been flushed from bases in northern Iraq, but give no time frame.

On the suspension of the frigates' subsidy Mr Ataman said: "Under the contract, the [frigate] project can work only if the German grant is realised. It is worth thinking about how the suspension of the grant could affect the overall project."

The amount involved should not be a negligible resource for the German armaments industry. This has been Turkey's contribution to the German economy.

Minister quits in Greek tax dispute

By Karin Hope in Athens

The Greek public order minister resigned yesterday amid mounting protests by farmers and small businesses against the Socialist government's latest attempt to reduce tax evasion.

Mr Stellos Papathemelis stepped down after refusing to order riot police to clear roads and railway lines blocked by farmers who object to filing income tax declarations under a new tax law, according to public order ministry officials.

The farmers have closed off Greece's main north-south highway in Thessaly with tractors and farm equipment for most of the past 10 days. They are demanding exemption from the new system which computes minimum earnings on receipts and receipts from a European Union crop subsidies rather than declared income.

The blockade has trapped hundreds of trucks and is starting to cause shortages of fresh meat and consumer goods in provincial towns.

Nightly television footage of farmers burning tyres to keep angry truck drivers at bay has added a dramatic touch to the finance ministry's campaign to curb the underground economy, estimated to exceed 30 per cent of gross domestic product.

The tax protests yesterday extended to Athens where many shops and small businesses closed. The protesters claim the finance ministry has underestimated the effects of three years of recession on retailing and services, setting the minimum tax requirement at levels that threaten to drive them out of business.

Despite the confrontation, Mr Andreas Papandreu, the prime minister, yesterday signalled the government would not make concessions on tax policy, saying the farmers "have no right to interrupt communications or damage the economy".

However, the Socialists have accepted a demand for cheaper petrol for agricultural use and are committed to increasing farmers' pensions from next month.

Greece's farmers wield considerable political influence, making up about 20 per cent of the workforce. The Socialists are particularly sensitive to their demands as votes from the countryside provide the basis of their support.

Farmers have traditionally been exempt from direct taxation as farming provided little cash income before Greece joined the European Union. But with EU transfers for crop support prices amounting to more than 2 per cent of GDP, agricultural incomes have soared in the past decade.

The finance ministry included farmers in the tax net for the first time this year as part of a drive to broaden the tax base and increase revenues from direct taxation by almost 30 per cent.

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"We're going to do our best to keep them that way to sustain growth," he said.



on voter

How
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Conventional
wisdom says
the Maxima QX
doesn't exist

NEWS: WORLD TRADE

WTO dithers over disputes machinery

By Frances Williams in Geneva

The disputes settlement machinery of the World Trade Organisation, which began its work in January, has still to whirr into motion.

The WTO's disputes settlement body, meeting yesterday for the second time, has still not come up with an agreed code of ethics for those involved in arbitrating trade disputes. It has also extended the deadline for nominations to

the WTO's appeals body by three weeks to Easter.

Meanwhile, decisions on establishing independent panels to investigate the first two complaints brought to the WTO were postponed to a special meeting of the disputes settlement body on April 10.

They concern a complaint from Singapore against Malaysian restrictions on petrochemical imports, and Venezuela's complaint over US standards for "cleaner" petrol known

as reformulated gasoline.

Last week Malaysia announced it was dropping its restrictive import licensing system for petrochemicals to which Singapore had objected. Singapore says it wants consultations with Kuala Lumpur on the new procedures before deciding whether to press ahead with a panel request.

Trade officials said yesterday that agreement was close on a code of ethical conduct for panel members, the appeals

body and WTO staff working on dispute settlement. But final accord has been held up by disagreements over procedures for withdrawing panelists who flout ethical standards and the extent to which the code should apply to WTO staff handling disputes.

Developing countries are worried that too strict a requirement on staff to disclose possible conflicts of interest would prevent them advising on the merits of a proposed

complaint, often the best legal opinion available to poor nations.

WTO members are also in the process of nominating candidates for a roster of independent panelists and for the seven-member appellate body. Up to now panelists have mostly been present and former trade diplomats, but the US has argued strongly for the inclusion of more panelists from outside, including non-governmental organisations.

Anxious to avoid even the slightest echo of the divisive contest for the WTO's top job, Mr Don Kenyon of Australia, chairman of the DSB, yesterday urged WTO members not to "sponsor" nominations for the seven-person body which is one of the WTO's most important innovations.

Mr Kenyon asked them simply to suggest names, enabling the final decision to be made on the basis of "personal and professional merit".

WORLD TRADE NEWS DIGEST

US-Japan car talks go nowhere

Japan and the US yesterday ended three days of talks on the motor sector without reaching agreement. The negotiations in Tokyo focused on US demands for a relaxation of Japanese administrative rules and an increase in the number of dealer-

ships to boost imports of US-made cars and parts. Mr Walter Mondale, US ambassador to Japan, yesterday met Mr Yoshifumi Tsuji, Nissan Motor's president, to urge the Japanese industry to buy more US car parts. Similar requests were made at meetings this week with Toyota and Mitsubishi Motors. In Washington, Mr Mickey Kantor, US trade representative, said Japan's was a closed economy which discriminated against US motor exports. *Foreign Staff*

Consolidated Metallurgical Industries, the South African ferrochrome producer, has announced an agreement in principle under which the Japanese trading house Mitsui will buy an eighth share of CMI's Lydenburg production capacity, per equivalent to approximately 30,000 tonnes of capacity, per annum. Mitsui Tokyo would become sole agent for this output, as well as a similar amount to be contributed directly by CMI to be used for developing new sales in Japan, South Korea and China.

CMI controlled by the JCI mining company, would continue sole operation of the Lydenburg plant. Mitsui would establish a subsidiary, Mitsui Minerals Development South Africa, which would own the assets and co-ordinate marketing. *Mary Stucman, Johannesburg*

Japan Telecom and Nissan of Japan will set up a joint venture offering cellular phone services in northern Japan. The new company, Digital TU-KA Tohoku, will be established on April 28 with headquarters in Sendai. Japan Telecom and Nissan operate two joint ventures offering the same communications services in south and west Japan. *Reuters, Tokyo*

US computer group Hewlett-Packard has teamed up with Microsoft Corporation, Novell and IBM to make network printing simpler and more powerful. Hewlett-Packard said it aimed to develop and integrate printer-management software into the most widely used computing platforms, providing users with intuitive and powerful network printing. Network administrators will be able to install and configure HP LaserJet, DeskJet and DesignJet printers, perform printer diagnostics, and perform other functions remotely. *Reuters, Las Vegas*

Crown Cork and Seal of the US and Hong Kong's Swire Pacific have begun work on a \$41m aluminium can plant west of Hanoi to supply Vietnam's fast-growing beverage industry. It is the biggest US non-oil joint venture investment in Vietnam since President Bill Clinton lifted a US economic embargo 14 months ago. Local partners are the state-owned Vietnam National Foodstuffs Import Export Corp (Vinalimex) and Ha Tay province Foodstuffs Factory. *Reuters, Hanoi*

Siemens' Indian subsidiary has formed a joint venture with Bharti Telecom, an Indian telephone equipment manufacturer to market Siemens telephones in India. The company will take over Bharti Telecom's established marketing and dealer network to market Siemens cellular, corded and cordless telephones and fax machines and Bharti's Beel range of phone products. Bharti is one of several Indian companies to obtain licences to operate cellular telephone networks in the country. It has tied up with SFR of France. Mobile Systems of the UK and Emtel of Mauritius to introduce cellular telephony in the Delhi region. *Shiraz Siddiqui, New Delhi*

Norway's Heliport Service has won a Nkr120m (\$19m) contract to provide a shuttle service to the Vahall oil platform in the North Sea. The contract takes effect on June 1 and runs for five years. *Reuters, Oslo*

Still much to be resolved in desperately needed plans for Indonesian capital, writes Manuela Saragosa

Green signal for Jakarta rail network - delays expected

The daily peak-time journey by car from the southern residential areas of Jakarta to the central business district takes two hours. The publicly owned bus service used by the Indonesian capital's 10m people is slow, inefficient and overburdened.

So President Suharto's decision last month to press ahead with the construction of an overland light railway network and an underground system should come as a relief to the city's frustrated commuters.

Plans have been around for 20 years. But their completion has taken on added urgency as economic growth averaging 6 per cent a year in the past two decades has imposed huge demands on Jakarta's transport infrastructure.

As in many neighbouring countries, the government is looking for private-sector funding for the projects. Several companies have already expressed an interest, including Siemens of Germany, the UK's Taylor Woodrow Wilson, Japan's Hitachi and the Anglo-French joint venture GEC-Alsthom.

The government said construction of the underground railway should start next year with full services starting by 2000. But construction industry executives say this is optimistic.

But there are still many

issues to resolve. The government has to determine whether the subway network will be completely underground or whether some sections will run overland. The ministry of communications says the project will cost \$1.3bn but industry sources contend that if the entire railway is underground, the cost would rise to at least \$2bn. International tenders for the subway will be invited in November.

Fares will be fixed by the government but industry executives say this would give them little control over pricing and, therefore, over project profitability

The underground railway plan envisages three lines. One will connect the southern shopping district, known as Blok M, to the northern part of town called Kota. Another will run exclusively in Jakarta's central business district, connecting the main thoroughfare known as Jalan Sudirman to Casablanca, an area with a high density of offices. The third line will run between two industrial suburbs on the city's extremities - Tangerang, in the west and Bekasi in the east.

The three lines would involve the construction of just over 55km of tracks of which 47km will be new and the remainder upgraded overland lines.

Officials at the ministry of communications, one of the many public institutions involved in the project, have said they would prefer the contract for the underground project to be awarded on a build, operate, transfer basis.

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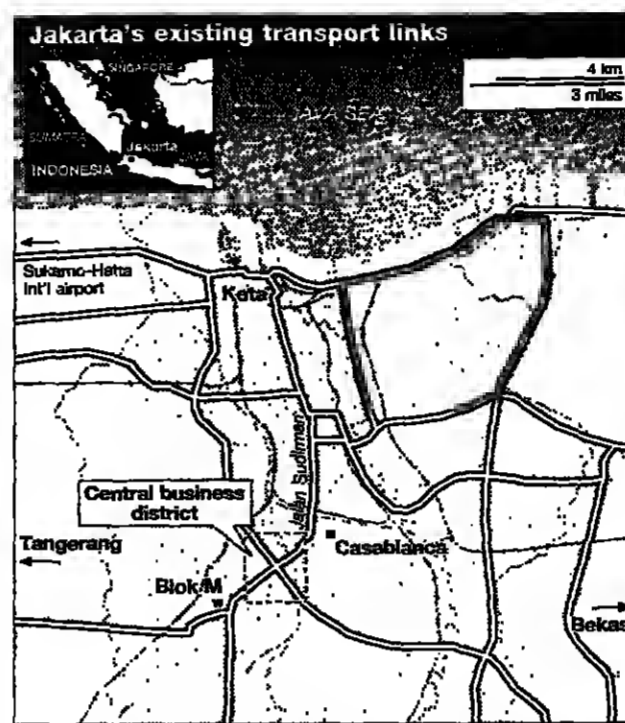
connecting Jakarta to the central business district. The toll rate was determined by the president and this factor alone led to the delay.

Meanwhile, the contract for the \$800m overland light-railway system, the second component of President Suharto's recently announced transport initiative for the capital, has already been awarded to PT Cira Lantonggung Persada, a company controlled by Ms Siti Hardiyanti Rukmana, President Suharto's eldest daughter. No tenders were invited. This is the latest in a series of large infrastructure contracts to be awarded to a presidential family member.

Ms Rukmana's company is also Indonesia's leading toll-road constructor and is building the Jakarta-Bandung toll road jointly with Trafalgar House.

Mr Haryanto Dhanutirto, Indonesia's minister of transport, said the elevated light-railway system will be wholly funded by Ms Rukmana's company. It will connect a number of districts in south Jakarta and should be completed by 1998.

The government is keen to retain a measure of control over both projects, whether through a say on fares or through an equity stake.



A number of ministries are already wrestling for control of the management of the two projects. The ministry of communications, the governor of Jakarta, the central planning board Bappenas, the ministry of research and technology and the ministry of public works are all involved in the planning of the underground project.

"Everyone wants to have a finger in the pie," said an official at a Jakarta-based engineering company.

A project management unit to oversee the construction of

the subway has been set up with financial assistance from the World Bank, but it has so far been dogged by wrangling over who should chair the unit. Mr B J Habibie, minister for research and technology and closely identified with many of the country's top high-tech projects, appears to be in the lead. Construction is unlikely to start until this problem is resolved.

But that, like many of the country's previous attempts to tackle the worsening transport infrastructure, could take many years.

Chevron braves Nigeria's finance risks

By Paul Adams in Lagos

Chevron Nigeria's launch of the \$569m (£357m) Escravos gas gathering project last week shows some oil companies will risk investment in large gas projects in Nigeria without export credit cover or foreign financing for their joint venture partner, the Nigerian National Petroleum Corporation.

The first phase at Escravos from mid-1997 will produce 17,000 cubic feet of gas and raise use of associated gas from 4 per cent to 30 per cent of reserves, rising to 80 per cent by next century. It will

boost Nigeria's hydrocarbons output without any restriction from its quota of 1.98m barrels of oil a day set by the Organisation of Petroleum Exporting Countries.

Most of the gas will be piped to the Nigerian Gas Corporation's nearby terminal for local industrial use or export to Ghana, Togo and Benin if the proposed west African gas pipeline project is agreed. The remaining liquefied petroleum gas will be exported from the site and heavier liquids will be blended with the Escravos crude stream.

The problem with this and other gas projects has been a

lack of external financing for the state-owned NNPC's statutory 60 per cent of the venture.

NNPC's claim that it can fund Escravos and the other big gas project began this year - phase two of the Oso joint venture with Mobil - out of the state budget or with external finance looks optimistic.

Nigeria cannot get loans from commercial banks or the World Bank because its military regime has abandoned approved economic reforms and run up more than \$3bn in arrears to the Paris Club of official creditors on top of its \$29bn external debt.

The US has also banned offi-

cial finance to Nigeria over failure to control drugs trafficking, and non-US export credit agencies are reluctant suppliers to Nigeria.

NNPC is struggling to meet existing commitments.

Despite cutting last year's operating budget for oil production it has failed to meet its 58 per cent share of industry costs and is over \$1bn in arrears to the oil companies, which it promises to repay in monthly instalments over the next two years.

So far Nigeria's government has rejected the oil company's solution - to take more crude oil or more equity in lieu of the

arrears. Without the World Bank, the International Finance Corporation has declined to come into the Escravos project as it did with phase one of Mobil's Oso project in 1990 which provided commercial lenders with a form of guarantee against default by NNPC.

Shell, Agip, Elf and the IFC also have 51 per cent of the \$2.6bn liquefied Natural Gas project at Bonny but they have yet to break the deadlock over financing the Nigerian share and the project has missed its target date for a final investment decision to be made early this year.

Banks hesitate to fund new offices in E Europe

By Simon London, Property Correspondent

Most central and eastern European cities are suffering a shortage of modern office space because of a lack of funding for new buildings.

According to Healey & Baker, the surveyors, only 3 per cent of Moscow's 7m square metres of office space meets western standards. The firm estimates there is unsatisfied demand for at least 200,000 sqm of offices.

Scarcity of finance is the main problem across the region. In most cases there are few local commercial banks and almost no pension funds or insurance companies willing to fund property development.

Yet western commercial banks remain wary of property lending in the region. Many are still nursing write-downs on property loans at home.

"Other than in Prague there is a funding gap in every market in central and eastern Europe," said Mr Marc Mogull, senior banker in the property and tourism division of the European Bank for Reconstruction and Development.

Citibank is an example of a bank which has a large presence in central and eastern Europe but is wary of lending money on property. "Our concern is that it is still difficult to judge the sustainable level of demand for business space," said Mr Jeffrey Heintz, head of European Real Estate at Citibank. "We prefer to let these markets settle down before committing ourselves."

The presence of export credit agencies and supranational

lenders, such as the European Bank for Reconstruction and Development could help coax commercial banks back into the market.

Last autumn the EBRD arranged a \$35m funding package for the construction of the first phase of the 20,000 sqm Atrium Business Centre in Warsaw. Skanska, the Swedish construction company, invested around \$12m equity. Senior debt amounting to \$21m was provided by the Polish

OFFICE OCCUPANCY COSTS	
\$ per sq.m. per year	
Brussels	318
Prague	505
Paris-Golden Triangle	817
Berlin	547
Frankfurt	622
Budapest	426
Milan	354
Amsterdam	287
Warsaw	780
Moscow	1,000
Madrid	290
London - City	1,149

Source: Jones Lang Wootton International Research

Development Bank and other local banks, Swedish Export Credit and the EBRD. The EBRD and Skanska also committed \$2.5m of subordinated loans. Even with the presence of the EBRD and Swedish Export Credit, though, western commercial banks declined to participate in the transaction.

The problems surrounding the financing of Warsaw's Hotel Mercure show why western banks are still wary. Compagnie Generale de Batiment Construction (CBC) of France, which originally held 50 per cent of the equity and was responsible for con-

struction, withdrew from the Mercure project a year ago. Loans are now being renegotiated amid claims that the eight-year loan - carrying a fixed 11 per cent interest rate - condemned the project to permanent losses.

According to Mr Mogull there are two main ways of avoiding similar problems:

● Banks have to make sure that the equity committed to a project has strong enough guarantees to ensure that the building is finished.

● Construction costs should be kept under tight control to ensure that the contractor - usually the main equity investor - does not make an excessive profit from the construction phase which would allow it to walk away from the project.

Despite the EBRD's efforts, worries about underlying political stability, legal systems and the structure of transactions have kept most western banks on the sidelines. Austrian banks such as GiroCredit and Caisse des Depots, the French state financial institution, are among the few to have ventured into the region on any scale.

Mr Michael Hodges of Jones Lang Wootton, the surveyors, estimated that three or four developments of over 10,000 sqm are required every year in each capital city to keep rents stable.

In Prague - and perhaps Budapest - it is possible that this target will be met. But the outlook for Moscow and Warsaw - let alone Kiev, Bucharest or Sofia - is far less certain.

CONTRACTS & TENDERS

REPUBLIC OF LEBANON
INVITATION TO TENDER FOR THE EXECUTION OF
THE REHABILITATION OF THE COASTAL HIGHWAY BETWEEN ORAYEH AND NAHR AL-MAOUT
As part of the Beirut Suburban Project (Law 246/93)

The Government of Lebanon, represented by the Ministry of Public Works and the Council for Development and Reconstruction (CDR), invites Contractors to tender for the execution of the works of the Rehabilitation of the Coastal Highway between Orayeh and Nahr El-Maout.

The Works will include the following main elements:

- Improvement and construction of a 5 km dual motorway (3.4 lanes per direction).
- Construction of a 5 km dual carriageway road (2 lanes per direction).
- Construction of about 12 km single carriageway roads and parallel service roads along the motorway (about 10 m wide).
- Construction of five interchanges with precast concrete overhead bridges 10 m to 20 m wide with a total length of about 10 km.
- Construction of two prestressed concrete pedestrian bridges.
- Construction of a 20 m wide, 90 m long prestressed concrete railway bridge.
- Reclamation and sea slope protection.
- Street lighting.
- Stormwater drainage.
- Construction and relocation of utilities such as water supply and sewerage mains.
- Landscaping and landscape vegetation.
- Traffic signs and traffic lights.
- Miscellaneous works such as road marking and sidewalk construction.

The Lebanon Government invites to tender, Lebanese and non-Lebanese, suitably qualified civil engineering and roads contractors, who meet the requirements stipulated in the prequalification documents related to the Tender, the main requirements being that the Contractors have already executed works of similar nature and volume in the last ten years, either as main Contractors or as joint venture with other Contractors for an amount, after adjustment at the date of execution equivalent to (200,000,000) US\$ (two hundred million United States Dollars), including one project the adjusted amount of which at the date of execution amounted to (100,000,000) US\$ (100 million United States Dollars).

Tenders must be submitted in two separate sealed envelopes.

The first envelope shall contain the completed prequalification documents contained in the Tender Documents for this purpose and any other supporting documents proving the technical and financial ability and experience of the Contractor as well as the Tender Guarantees.

The second envelope shall contain the financial offer and the priced Bill of Materials.

The Tender Committee in CDR shall first open the first envelope and establish the ability and experience of the Contractors. The Committee shall retain only those Contractors who qualify to execute the Project and shall return the sealed financial offers to these Contractors who do not qualify.

The Tender Committee shall then open in public the second envelope of only those Contractors who are qualified, at a date and time to be announced in due time.

Contractors who wish to participate in this Tender are invited to collect the relevant Tender Documents against a sum of U.S. Dollars Eight Thousand (\$8,000).

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INTERNATIONAL NEWS DIGEST

Insurers turn eco-friendly



A group of big European insurers are to set premiums according to customers' environmental performance. The group, led by Uni-Streand, Norway's largest insurer, Swiss Re, Germany's General Accident and National Provident of the UK will sign an agreement today to develop methods of assessing environmental risk and to share experience in this area when setting premiums. The agreement coincides with the United Nations conference on climate change and will be endorsed by Ms Elisabeth Dowdeswell, executive director of the United Nations Environment Programme.

The insurers want to improve risk assessment by pricing insurance policies to reflect the commitment of their clients to the environment. The insurance companies are concerned about global and local environmental problems such as global warming, groundwater contamination, acid rain and risks at sea such as oil spills. Figures released this month by Munich Re, the world's largest reinsurer, showed that the cost to the world's insurance companies of large-scale natural disasters is now 14 times as high as in the 1980s. *Karen Fustli, Oslo*

Maldives pleads for survival

The president of the tiny Maldives islands, facing inundation if the worst fears about the effects of global warming on sea levels come true, has issued an impassioned plea for action to the Berlin climate conference. "Each tick of the clock could be time lost in saving some 30 small island nations from drowning in a sea of rising tides," President Maumoon Abdul Gayoom said.

The earth's temperature has already risen by more than 0.5 degrees C since the middle of last century, raising the sea level through thermal expansion and the melting of polar ice. The UN's Intergovernmental Panel on Climate Change predicts the sea level could rise by more than one metre in the next century. The idyllic Indian Ocean state of the Maldives, whose highest point is three metres above sea level, would be washed from the map. Mr Gayoom said: "The meagre resources of the small island developing states, whose narrow-based economies are pressed to alleviate hunger, poverty and illiteracy, cannot be set aside for rectifying the mistakes of powerful and affluent nations." *Reuter, Berlin*



That sinking feeling: The Maldives environment minister, Mohamed Khaleel, at the Berlin climate conference yesterday

Concern over China's emissions

China's dirty and inefficient state enterprises are too busy fighting for economic survival to spend scarce resources on cutting emissions of the gases blamed for global warming. With two-thirds of state companies losing money, averting a possible environmental catastrophe in the next century is not high on the priority list of most managers, delegates to a national seminar on greenhouse gases in Beijing said this week.

Industry - most of it state-owned - accounts for more than half of China's carbon dioxide emissions, said a report by China's environmental agency. Major culprits are small and inefficient coal-burning boilers, furnaces and kilns. Although China is responsible for only 10 per cent of global carbon dioxide emissions, breakneck economic development and inevitable growth in emissions is arousing concern. *Reuter, Beijing*

Australia will miss targets

Australia will fail to meet its international commitments on greenhouse gas emissions, despite a package of measures announced yesterday. The package includes "voluntary" agreements with industry aimed at cutting emission levels by 15m tonnes by the year 2000. Senator John Faulkner, the federal environment minister, admitted the A\$63m package would not be enough to meet the internationally-agreed objective of stabilising carbon dioxide emissions at 1990 levels by the year 2000. However, the measures should peg emissions at 3 per cent above stabilising levels by the end of the century - compared with 14 per cent if no action is taken, he said.

Greens criticised the package for its reliance on voluntary agreements with industry, and limited funding. Greenpeace called it a "recipe for failure". "Australia is one of the world's largest per capita greenhouse polluters and is offering unenforceable industry agreements to provide 75 per cent of its greenhouse gas reductions," it said. *Nikki Tai, Sydney*

Drought hits S African prices

South Africa's inflation rate during February was 9.9 per cent a year, 0.8 per cent up on January's figure of 9.6 per cent but still below the psychologically important 10 per cent barrier. According to the Central Statistical Service, the main cause was food costs, which rose 17.4 per cent, partly because of drought. This was particularly noticeable in vegetable prices, which rose 2.8 per cent on the month. Most analysts expect rising food prices and increased taxes on alcohol and cigarettes to push inflation higher over the next few months before dropping back down to 10 per cent or below during the second half of the year. *Mark Suzman, Johannesburg*

Oman to reform banks

The Gulf state of Oman has created a fund to guarantee bank deposits in reforms to strengthen its banking sector following world adequacy guidelines and the collapse of BCCI. The fund, the first of its kind in the six nations of the Gulf Co-operation Council (GCC), was endorsed by Sultan Qaboos two days ago. Council (GCC), was endorsed by Sultan Qaboos two days ago. Council (GCC), was endorsed by Sultan Qaboos two days ago. Council (GCC), was endorsed by Sultan Qaboos two days ago.

Kuwait oil strike ends

An oil strike aimed at shutting down Kuwait's 3 per cent share of world production ended officially yesterday when workers signed an accord which they said required harder work for more pay. *Reuter, Kuwait*

US calls for support to isolate Iran

Observers doubt whether hardline stance will work

By George Graham in Washington and Robert Corzine in London

The US appeal this week for a United Nations embargo on oil exports from Libya is the latest in a series of actions aimed at isolating Iran, Iraq and Libya, the three Middle Eastern governments which Washington perceives as threats.

The flurry of US diplomatic activity began on March 15 when President Bill Clinton barred Conoco, the oil subsidiary of DuPont, from proceeding with a ground-breaking deal to develop Iran's offshore Sirri oil field. In recent weeks the US has also repeated its opposition to an early relaxation or lifting of the UN oil export embargo on Iraq.

But Iran appears to be at the top of Washington's Middle East agenda, say observers, even though many doubt whether the US's increasingly hardline position will win much international support.

Washington officials are resigned to the likelihood that Mr Clinton's executive order barring US companies from developing Iran's oil resources will drop the Conoco deal into the lap of a European oil company.

Diplomatic demarcations have been undertaken to try to persuade the US's allies in Europe

and Japan to follow Washington's lead in refusing to co-operate with Iran in oil development.

But no one in the Clinton administration suffers from the illusion that these demarcations will deter European and other international oil companies. Mr Joe Stanislaw, an analyst with the Paris office of Cambridge Energy Research Associates, says: "For non-US oil and gas companies Iran is 'fair game'."

Total, the French oil company which was competing with Conoco for the Sirri contract, has declined to say whether it will continue to negotiate with Iran. But Mr Gholamreza Aghazadeh, Iran's oil minister, this week held out the Conoco deal as "a clear cut model" of co-operation which Iran was prepared to enter into with foreign oil companies.

Other analysts say Washington's recent actions could damage the long-term chances of US oil companies expanding abroad. Mr Robin West, head of the Washington DC-based Petroleum Finance Company, said: "Why would any country with policy differences with the US now let in US oil companies?"

Earlier this week the administration itself appeared to be trying to limit the potential damage to US commercial

interests. In Houston on Monday Mr Bill White, deputy energy secretary, said any future sanctions against Iran would not include an embargo on US companies trading in Iranian oil overseas.

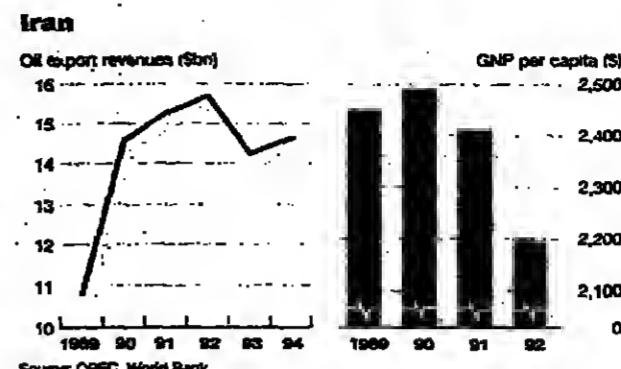
"You can't have a unilateral embargo in today's world oil market. Oil will trade," said Mr White. He added, however, that "We'd like to see their economy weaker so they can spend less discretionary income arming themselves to the teeth, which is what they are doing."

The US focus on Iran's oil industry is logical, given the sector's dominant role in Iran's economy. Oil revenues rose slightly last year to just over \$14.6bn (£9.2bn), compared with about \$14.3bn in 1993.

Living standards in Iran have fallen acutely in recent years as price rises in excess of an official 40 per cent and a currency crisis have taken their toll.

There is some enthusiasm in Congress for tougher action against Iran.

Although US oil companies are already prohibited from importing Iranian oil into the US, Senator Alfonse D'Amato of New York has proposed a bill that would bar them from buying it to sell elsewhere, as well as preventing them from investing in projects with Iranian companies in countries such as the central Asia republics.



Source: CPEC, World Bank

Iranian companies in countries such as the central Asia republics.

But Mr Peter Tarnoff, under-secretary of state for political affairs, recently warned Mr D'Amato in hearings on Capitol Hill that he believed it would be impossible to persuade other members of the Group of Seven leading industrial nations to go along with restrictions on anything beyond militarily sensitive goods.

That would leave the US out on a limb imposing an ineffective unilateral embargo. "The only way to make any of this bite is if you can bring the Europeans and the Japanese in," cautions Mr Richard Haass of the Council on Foreign Relations.

Nevertheless the US decision to block the Conoco deal is not

merely self-flagellation. By removing the inconsistency between, on the one hand, Washington's tough rhetoric about dual containment of Iran and Iraq and, on the other, the growing US-Iranian trading relationship, Mr Clinton's order could make it easier to dissuade allies from some of the deals the US regards as seriously threatening - notably Russia's planned sale of nuclear reactors.

Some observers argue, however, that recent US actions in the Middle East are mainly linked to US domestic political issues. Mr Robert Mahro of the Oxford Institute for Energy Studies believes the embargoes could prove counter-productive to long-term US interests. "More US meddling could turn the Middle East into a powder keg," he warned.

Nigeria misses out on World Bank loan

By Paul Adams in Lagos

The World Bank has cancelled a \$195m (£122m) loan for telecommunications in Nigeria because of the government's failure to reform its parastatal Nitel into an autonomous commercial company.

Since the loan was approved in 1990, there has been almost no progress on the bank-funded project. Problems grew worse last September when the military regime suspended the boards of directors of all state-owned companies.

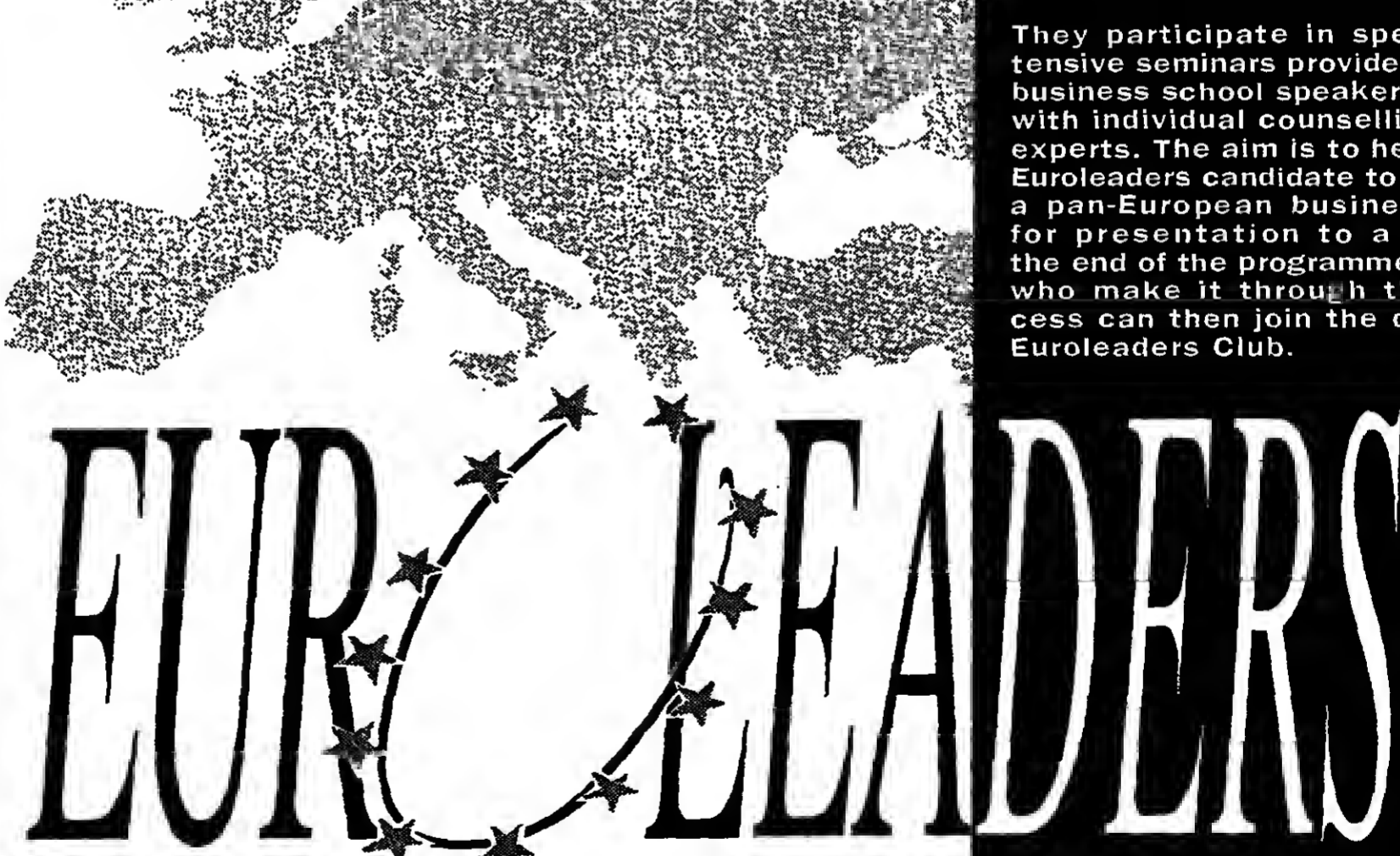
Since then, Nitel has been run by a sole administrator. Donors say Nitel's decision-making has been passed to the head of government and procurement has been so slow that when Nitel awarded one contract the system they ordered had become obsolete.

The loan was to fund 140,000 new digital lines in Lagos and other big cities; rehabilitation of satellite to earth stations; and expansion of long-distance transmission lines.

The cancellation is a setback for the telecommunications sector which was notorious for corruption in the 1970s but has shown progress since 1992.



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NEWS: UK

Army training may move from Germany to Poland

By Bernard Gray,
Defence Correspondent

British troops may start training in Poland if negotiations between the governments are successful. The discussions have started because training grounds in southern England might sustain unacceptable environmental damage if all exercises were completed in the UK.

Until now much army training has been done in Germany, but the withdrawal of large

parts of the British Army of the Rhine to the UK means alternative exercise sites may need to be found.

The negotiations come as the army has reformed its command to reflect the fact that most troops are now in the UK. From April 1 all fighting soldiers will come under a new Land Command which will be the largest single spender within the Ministry of Defence with a budget of about £3bn (\$4.77bn) a year. The new Land Command may find it difficult

Britain's new Trident submarine, HMS Vanguard, was damaged as it entered the King's Bay dockyard in the US state of Georgia to have its Trident missiles fitted. The secret propulsion system of the submarine was damaged when its sonar sensors, which are towed behind the submarine, were sucked into the motors. Ministry of Defence officials

to complete its training needs close to home. Objections by local residents to land damage from tank tracks and shell impacts may limit the amount of training that can be conducted in the UK. The army is also using helicopters and aircraft much more heavily. It has just ordered a further 36 transport helicopters from Westland and Boeing and is

revealed the damage in evidence to the House of Commons defence committee on the progress of the Trident programme. The officials described it as a freak accident but Rear Admiral Richard Irwin, chief strategic systems executive, said it could recur in similar circumstances with a narrow river entrance and other traffic.

due to be equipped with 91 anti-tank attack helicopters by the end of the decade.

Increased noise from helicopter and aircraft flights in the area around the main Salisbury Plain training area in southern England is likely to meet stiff resistance.

Poland could be used as a site for some of the new air-mobile training, relieving the pressure on Salisbury Plain. The army already uses sites in Canada for some of its heaviest artillery and tank manoeuvres, but it still may have to find additional space.

The Polish government is keen to allow British troops to sites once used by Warsaw Pact forces. As well as leasing

out the sites, UK training there would send an important political signal about Poland's ties to Nato members.

As the UK would be responsible for repairing any damage to Polish training grounds, however, British army officers do not wish to be allocated Warsaw Pact areas which had been heavily contaminated by previous exercises. Environmental damage by Soviet armed forces during the cold war has had a serious impact on several European countries.

Nuclear Electric braced for break-up

By Michael Smith

Nuclear Electric, the state-owned electricity generator for England and Wales, told employees yesterday there was a "real prospect" that the company would be split up as a result of the government's nuclear review.

It said it would prefer to keep employees in a single company, owning advanced gas-cooled reactor stations and the Sizewell B pressurised water reactor station - and operating Magnox plants.

The comments, in an "update" to staff obtained by the Financial Times, are the strongest sign yet that the nuclear review will result in a significant re-organisation of the sector. Ministers are still debating whether Nuclear Electric and Scottish Nuclear, its Scottish counterpart, should be privatised. Mr Kenneth Clarke, the chancellor, is keen for a pre-election sell-off, but ministers at the Department of Trade and Industry are opposed or undecided.

Issues to be decided in the review include the ownership of Magnox stations, which are considered unprofitable because of the size of their liabilities, and the relative size and shapes of Nuclear Electric and Scottish Nuclear.

Scottish Nuclear operates two power stations, against Nuclear Electric's 13, and would be difficult to sell in its existing form. In the update, Mr Mark Baker, executive director managing the company's response to the review, says it is unlikely the government will announce the results of its review before Easter. In its evidence to the review, Nuclear Electric acknowledged its eight Magnox stations could not be privatised.

Mr Baker says privatisation remains the company's top priority. "This has nothing to do with greed. It should be obvious to everybody by now the government will not allow the director of Nuclear Electric... to enjoy the easy pickings of earlier privatisations."

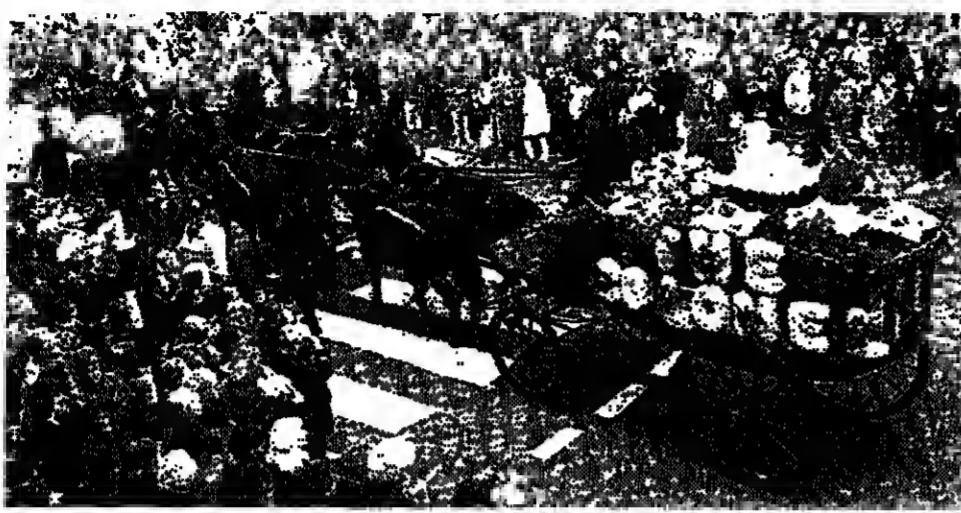
US-style pollution curb may be adopted

A system of tradeable pollution permits for companies which discharge waste and effluent into rivers is being considered by the government, our Resources Editor writes.

The system would be similar to the sulphur emission permits already traded in the US. In a tradeable permit scheme, the pollution regulator lays down a maximum level for emissions or discharges, and companies can buy and sell permits among themselves. Thus the total amount of discharge can be controlled.

The scheme would be launched by allocating to companies permits equivalent to their most recent authorisations. Companies with surplus pollution capacity could sell excess permits to companies which wanted to discharge more. The sulphur scheme would be simple to administer because the UK has a national "bubble" of sulphur which can be shared among all power stations and oil refineries.

River pollution permits could be traded only among companies discharging into a particular river - or even a particular stretch of river. However, tradeable permits are preferable to alternatives like a water pollution tax which would be passed through to customers and would drive up water charges.



Thousands of people lined streets in London's East End yesterday for the funeral of 1960s gangland boss Ronnie Kray - nicknamed the Colonel - who died in prison 12 days ago aged 61. His twin brother Reggie, released for the day from a prison where he is serving a sentence for murder, was treated like a returning hero. Crowds cheered enthusiastically wherever

he appeared, always handcuffed to a prison officer. Ronnie's coffin was paraded inside a glass-walled hearse followed by black Daimler funeral cars and several Rolls-Royces. The flamboyant pair, who were accorded almost celebrity status in the "swinging London" of the 1960s, were sentenced in 1969 to not less than 30 years for two East End killings.

VSEL set to win \$800m order for assault ships

By Bernard Gray,
Defence Correspondent

VSEL, the UK submarine maker, is likely to win an order for two Royal Navy assault ships worth £500m (\$800m) because it was the only shipyard to bid.

The Ministry of Defence had set a deadline of March 15 for bids to make the ships, which will replace HMS Fearless and HMS Intrepid. However, as the deadline approached it became clear no other yards were prepared to bid.

VSEL was then told by the ministry that it need not submit a formal bid because negotiations would start with the yard as a sole supplier. The work is a boost for VSEL

which is set to come under renewed attack from GEC and British Aerospace in coming months. BAE and GEC bid for the yard last autumn, but were referred to the Monopolies and Mergers Commission in December on the grounds, respectively, of national security and competition.

The commission is due to report by April 12 and a government decision is anticipated on the bids shortly after that. If, as expected, both companies are cleared to renew their bids, the assault ship order will add to the attractions of the yard.

Barrow is the only military shipyard in the UK large enough to build the assault ships since Swan Hunter in north-east England closed last

year. However, GEC, which owns the Yarrow yard in Scotland, had been thought a possible bidder for the ships since it could have acted as a prime contractor which could subcontract hull construction to the Barrow yard.

Commercial yards might also have tendered for the ships, but the higher standard of military specification to withstand bomb damage might have been difficult to meet in a conventional yard. No commercial yards entered the competition and GEC's decision not to bid left VSEL as the only contender.

Under MoD rules, the contract will not be awarded to VSEL unless the yard offers an acceptable price.

Minister keen to step up attack on EU fraud

By Peter Marsh

Mr David Heathcoat-Amory, paymaster-general in the Treasury, chartered accountant and Eurosceptic, will today set out the government's uncompromising position towards spending by the European Union. He is to meet Ms Anita Gradin, the EU commissioner with responsibility for combating EU fraud.

Ms Gradin, a former foreign trade minister in Sweden, has taken over a new Brussels portfolio which includes anti-fraud measures as well as legal affairs and immigration.

On a tour of European capitals, she

is making her first official visit to London since she started her job in January. Today, fresh from introducing a report in Brussels yesterday

'Mr Delors was good at a lot of things, but enforcing budgetary discipline wasn't one of them'

indicating that detected EU fraud doubled last year to more than Ecu1bn.

Ms Gradin will talk briefly to Mr Kenneth Clarke, the chancellor, before having a more detailed discussion with Mr Heathcoat-Amory, his more junior colleague. The commissioner's job makes her an important potential ally in efforts of the British government to improve financial management across all areas of the EU's Ecu180bn annual budget. The total EU cash being spent outside a strict interpretation of European Commission rules - which includes an ill-defined amount of deliberate fraud - is thought by some to total between Ecu200 and Ecu300 a year.

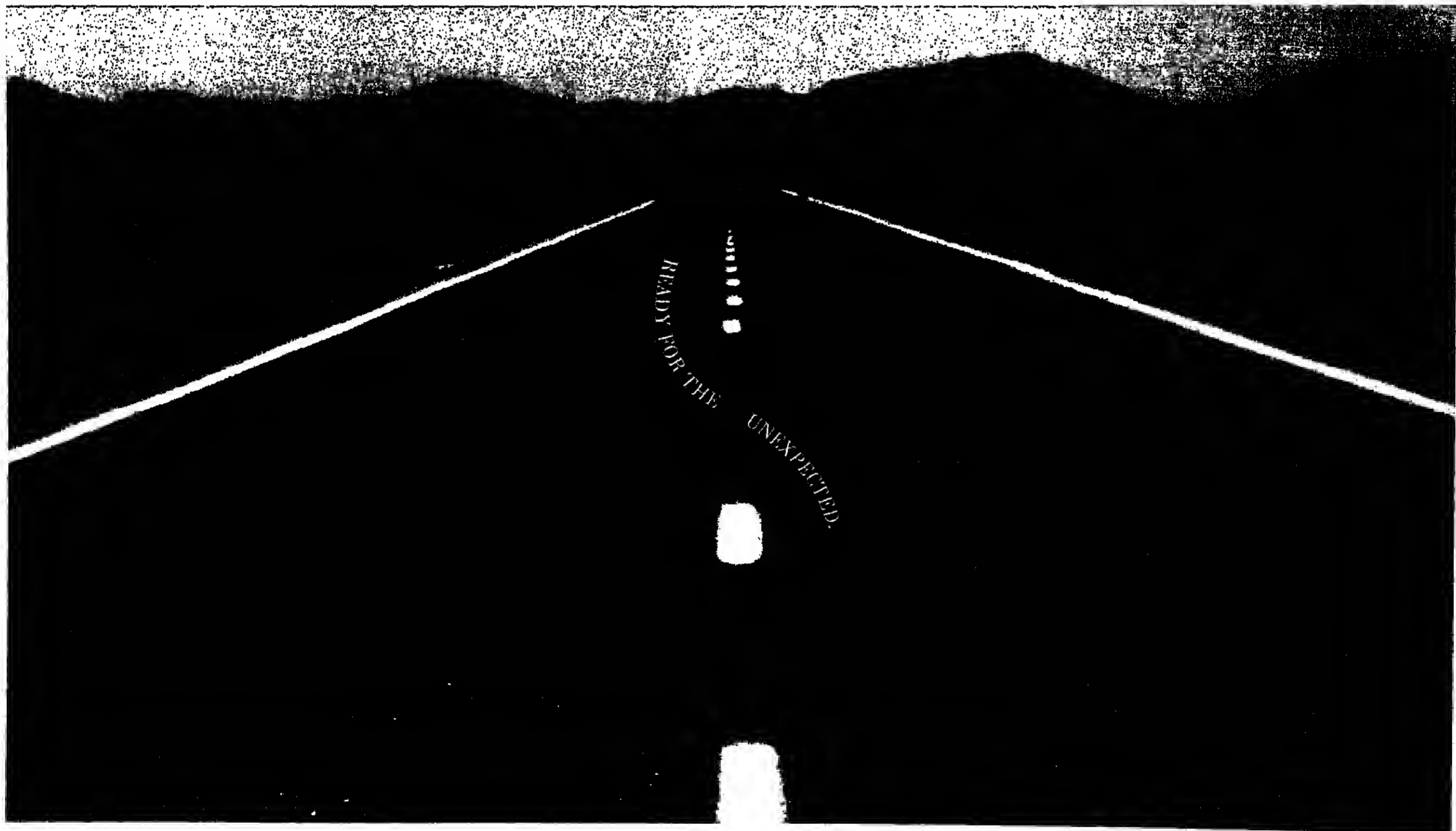
Mr Heathcoat-Amory's responsibilities

include safeguarding Britain's £2.8bn annual contribution to the EU budget. He was shocked by last November's annual report by the Court of Auditors, the EU's main financial watchdog, which was scathing about the extent of the irregularities. They range from lack of application of financial guidelines by officials in EU member nations to cases of fraudsters inventing false crops. He says many member governments used to feel that fraud should not be discussed because it would bring discredit on the Union.

Mr Heathcoat-Amory is firm in his praise for Mr Jacques Santer, the EU

president, though cannot resist a dig "President Delors was good at a lot of things but enforcing budgetary discipline wasn't one of them. Mr Santer is much more interested in financial management and ex post audit."

He says the new Santer-led crop of commissioners is talking about new efforts to quantify benefits from spending rather than the "fire and forget" approach of the past. He is looking forward to the June Ecofin meeting of the 15 EU finance ministers, at which they will each report on domestic arrangements for tackling fraud and mismanagement involving EU cash.



How can a healthy company suddenly find itself on the skids? Quite easily, considering that it's constantly faced with making difficult decisions where the consequences

often lie hidden round the bend. If the market drives off in an unexpected direction, management can only watch anxiously as cash flow erodes and nervous investors unload stock.

It's a bumpy road, until repairs begin to have their effects. There is no guarantee that your decisions will lead you in the right direction. There can, however, be a safety barrier to help

you control their consequences. We call it financial risk management. It goes without saying that only a leading global insurer has the strength to provide the tools for financial shock

absorption. By the same token, we feel we have a more urgent obligation than others to come up with new ideas. Especially if they are directed at minimizing our customers' risks.



ZURICH
INSURANCE GROUP

Warning of a 'marginal' Britain

By Guy de Jonquieres,
Business Editor

Britain will be marginalised in Europe and ignored by the rest of the world unless it quickly comes to terms with the economic realities of EU membership, Mr Peter Bonfield, chairman of ICL, the computer company, said yesterday.

With Mr John Major, the prime minister, looking on, Mr Bonfield told the Britain in the World conference in London that the UK risked fatally undermining its position in Europe by continually questioning the EU as a political and economic unit.

"This is naive and dangerous. If we want to be taken seriously on the world

scene, we need to start by getting our house in order in Europe," he said. Mr Bonfield did not specifically criticise government policy but his speech was one of the strongest public attacks yet by a senior British industrialist on the UK's approach to its role in Europe.

Britain in the World Conference, London

The need for Britain to reaffirm its commitment to the EU was also emphasised by Mr Howard Davies, director-general of the CBI, and Dr Horst Teltschik, a director of BMW.

Mr Bonfield said: "We are a European

power but every time our partners in the EU feel the UK is again turning its back on Europe, we marginalise our role within Europe. That inevitably weakens our role globally."

Britain would damage its prosperity if "blind pursuit of national sovereignty" led it to stay out of economic and monetary union. The idea that it was better to leave sterling to the mercy of international markets was mistaken, he said.

However, Britain might be wise to opt out of EMU if excessive haste to put the policy into effect threatened its success and the economic stability it was intended to achieve.

Ms Haruko Fukuda, vice chairman of Nikko Europe, an arm of the Japanese

securities house, said Japanese companies with plants in Britain would prefer the UK to stay outside the single currency because they wanted to benefit from a competitive exchange rate.

The chairman of ICL, 80 per cent owned by Fujitsu of Japan, said continuing uncertainty about Britain's relations with the EU would damage the country's position as the biggest recipient of inward direct investment from outside the region.

However, Ms Fukuda said many Japanese companies had been drawn to Britain by factors such as language, employment costs and the attitude of the government, as much as by the desire to have a presence inside EU tariff walls.

Gooda Walker Names win partial victory in court

By John Mason,
Law Courts Correspondent

Gooda Walker Names yesterday overcame a further hurdle in their legal battle to receive some of the damages won in last year's High Court case against Lloyd's agents.

However, a High Court ruling made yesterday represented only a partial victory for the Names - individuals whose assets have traditionally

LLOYD'S

LLOYD'S OF LONDON supported the insurance market - who now face a wait of years before receiving the full amount they are entitled to.

A High Court judge ruled in London that the Gooda Walker Names, among the worst-hit members of Lloyd's, could soon receive damages for past claims made against them. The Gooda action group, chaired by Mr Michael Deeny, represents the biggest campaign for compensation ever fought by Lloyd's Names.

A ruling on the precise amount to be paid is expected within the next fortnight.

However, Mr Justice Phillips said damages for estimated future claims against them could not be paid now, but

would have to be reviewed in court hearings as the scale of the claims became apparent.

The damages relating to past claims amount to some 75 per cent of the Gooda Walker Names' total claim for £450m (£734.4m).

However, the ruling over future claims could place Gooda Walker Names in a weaker position if the "first past the post" system for paying damages to different groups of Names remains in place. The "pot" available for damages might be exhausted before the court hearings take place.

Mr Justice Phillips also ruled in favour of the agents' insurers over a number of technical points concerning the way the size of the damages are calculated. A further reduction in the order of tens of millions of pounds is thought possible.

The Gooda Walker Names face further legal hurdles before they receive any money. The Court of Appeal has still to decide whether the "first past the post" system for distributing damages should continue to apply.

The payment of any damages awarded to Gooda Walker Names following yesterday's ruling is expected to be put on ice until a judgment planned for April 26.

'He was clearly there,' says chairman of company Finance minister denies role in arms sale to Iran

By John Kampfner, Robert
Peston and Jimmy Burns

Mr Jonathan Aitken, a junior finance minister in Mr John Major's Conservative government, last night made a detailed denial of allegations that as a director of arms company BMARC in the late 1980s he was implicated in the sale of naval guns to Iran in possible breach of an embargo. He said last night: "I am not aware of, and have never been involved in, any wrongdoing in relation to this or any other contract."

Downing Street said it accepted Mr Aitken's version of events. A senior official said: "He [Mr Aitken] has issued a denial. That is all there is to it." He added that the prime minister had "full confidence" in Mr Aitken.

Mr Aitken was responding to allegations made by Mr Gerald James, chairman of Astra Holdings, the company which owned BMARC, that the junior finance minister had attended a BMARC board meeting during which the allegedly illegal arms shipment was discussed. In a BBC interview, Mr James said: "He was clearly there. He was there for four hours."

However, Mr Aitken said it was neither his recollection nor that of three other BMARC

directors that he had been present at any board meeting which discussed the contract, known as the List contract.

Mr Aitken's version of events was backed by Brigadier Charles Smith, who ran BMARC's main ammunition plant.

Brigadier Smith said: "I had no idea that the guns and ammunition for Project Lisi were going to Iran, and I don't think anybody else in the company knew at the time. As far as we were all concerned we were exporting to Singapore."

He added: "Project Lisi was discussed by directors, but I don't think it meant much to Aitken. There was nothing to draw his attention to it."

Mr Aitken was a non-executive director of the British Manufacturing and Research Corporation, BMARC, an arms company based in Grantham in eastern England from 1988 to 1990.

Mr James said: "The official end-user, like so many contracts which all the major British arms or defence manufacturers have had, was Singapore. But it was quite clearly going to Iran. It was common knowledge it was going to Iran."

The opposition Labour party last night pointed to the "manifest inconsistencies" in the dif-

ferent version of events at BMARC and wrote to Mr Major calling on him to "set up an immediate specific inquiry into this issue."

Mr James said his firm had never concealed any of its dealings from the government. He said: "We always made full disclosures as far as we were concerned. I mean the Foreign Office, the DTI [Department of Trade and Industry] and everybody else knew about these contracts, so we merely continued with them."

Mr Aitken said that in demonstration of "good faith" he was sending information to Lord Justice Scott, who is in charge of a government inquiry into breaches of the embargo on arms sales to Iraq and Iran.

A spokesman for the Scott inquiry said last night "there was nothing new" in the allegations, which were first made yesterday in *The Independent* newspaper.

Lord Justice Scott began to examine evidence relating to BMARC and Mr Aitken more than a year ago. The judge is satisfied on the basis of substantial documentation he has examined that Mr Aitken is not responsible for any alleged breach of government regulations restricting defence exports.

UK NEWS DIGEST

Charity is squeezed by Lottery



A cancer research charity is closing a lottery it has run for 15 years because income has slumped since the launch of the national lottery. Eight of the 22 full-time staff and 500 part-time sales people for Tenovus based in Cardiff will be made redundant. The lottery, the UK's largest for medical research, sold up to 800 instant-win scratch cards a year at supermarkets in England and Wales. Last year it accounted for half of the charity's income of £3m (\$4.8m).

The decision to end the Tenovus lottery, which has raised a total of more than £10m, was taken after the launch of the National Lottery's scratch cards earlier this month. These carry a top prize of £50,000, whereas Tenovus had a monthly top prize of £5,000 or a car.

Mr Michael Downs, organising secretary, said yesterday: "Since the launch of the National Lottery we have lost the majority of our retail sites and seen a 25 per cent fall in sales at our few remaining outlets. The launch of the scratch cards is the final straw." *Roland Athburgham, Wales and West Country Correspondent*

Concern over tunnel safety run-down

Safety officials presenting evidence to MPs probing cross-Channel safety disagreed yesterday over plans for sharp cuts in the number of staff required to supervise safety procedures in the Channel tunnel.

Mr John Henes, UK chairman of the Anglo-French safety commission supervising the Channel tunnel, told the Commons transport committee that the number of UK support staff working for the commission was due to fall to five fulltimers from 15 at present and 25 at its peak. One additional person will work part-time. At the same time the number of French support staff working for the commission will also fall, Mr Henes added.

But Mr Edward Ryder, UK head of the Channel Tunnel safety authority, which advises the commission on safety matters and investigates incidents, in later evidence revealed concern about the speed of the run-down. *Charles Batchelor, Transport Correspondent*

Insurer cuts premium rates

Commercial Union, the largest UK-based composite insurer, yesterday announced premium rate cuts of up to 11.5 per cent on selected

home and motor insurance policies. The move reflects competition fuelled largely by telephone-based direct selling insurers. Many policyholders holding both building and contents policies will have 5 per cent discounts. There will also be lower household policy rates for over-45s. Cuts of up to 11.5 per cent will be introduced on larger cars. *Ralph Atkins, Insurance Correspondent*

Scots population increase predicted

Scotland's population, which had been predicted to decline during the 1990s and drop below the psychologically important 5m mark by 2006, is now expected to continue rising marginally until 1996 and remain steady till the end of the century, according to estimates. The population rose in the four years to 1992 thanks to small net migration gains and an excess of births over deaths. It is expected to rise from 5.11m in 1992 to 5.15m in 1996. *James Buzan, Scottish Correspondent*

Dog charity set for welfare row

The animal welfare lobby yesterday looked set to initiate another row in Europe as activists launched a campaign against EU support for Irish greyhounds imported into the UK.

The National Canine Defence League, Britain's largest dog welfare charity, has called on the Irish government to abandon plans to subsidise greyhound breeders. As thousands of retired racing greyhounds are abandoned or put down each year in Britain, according to the league, the lobby is particularly outraged that the subsidies are half-funded by the European Union.

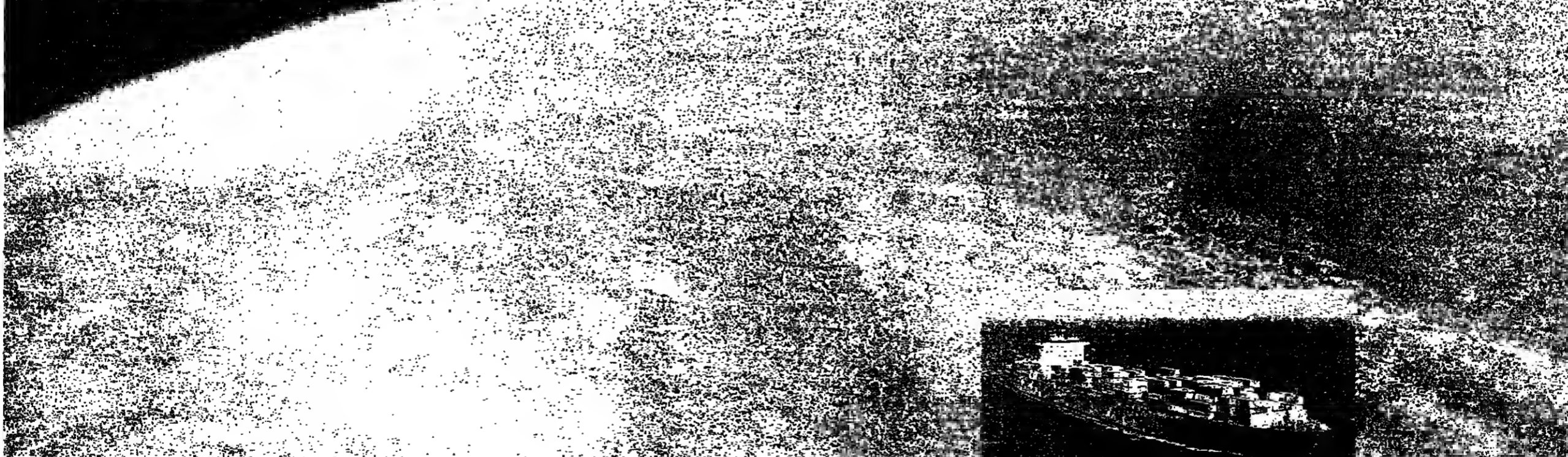
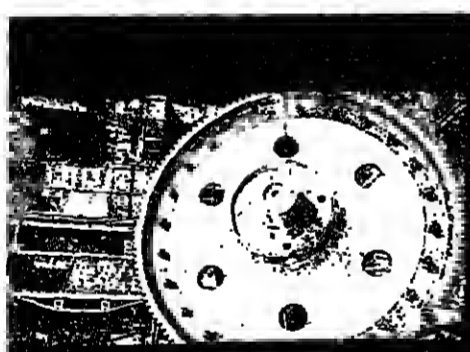
Ms Clarissa Baldwin, the league's chief executive, said: "British taxpayers would be appalled if they were aware that their money was being used to increase the numbers of greyhounds in Britain, when so many meet a cruel and untimely death." *James Harding*

Iraqi "supergun" on show: Sections of a "supergun" impounded by British Customs before the Gulf War went on display in a new wing of the Royal Armouries museum. The wing is at Fareham on the south coast of England about 100km from the museum's headquarters in the Tower of London.

Ramblers attack "rip-off": The Ramblers' Association, which campaigns for greater public access to the countryside, described as "a scandalous rip-off" a government scheme to pay landowners for allowing temporary public access to their estates. It said most of the sites for which the government had paid a total of £8m (£12.7m) were either already open to the public, kept secret or blocked by locked gates and other obstacles.

Mass murder suspect cremated: Frederick West, who was accused of murdering several young women including his own wife was cremated in a simple ceremony at which no hymns were sung at the request of his family. West was found hanged in a prison cell on New Year's Day; his second wife Rosemary awaits trial for 10 murders.

Today for Tomorrow



The sea is not only the foundation of our life. It is also a challenge, calling for innovative solutions to economic and ecological problems: food for the world, energy production, freight transport.

Bremer Vulkan Verbund is a technology group with a maritime emphasis. Research and development are of crucial importance to us - for solving the problems of today, tomorrow and the day after tomorrow.



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ARTS

Cinema/Nigel Andrews

Sporting politics for black Americans

HOOP DREAMS
Steve James, Fred Marx,
Peter GilbertJUST CAUSE
Arne GlimcherFIORILE
Paolo and Vittorio Taviani

The black man's burden is carried by two American films this week. Since the civil rights 1960s, cinema has moved away from righteous simplification and utopian vision. Martin Luther King's "I have a dream" has turned into "I have a recurring nightmare" (*Just Cause*) or "I have trouble getting to sleep altogether" (*Hoop Dreams*).

Hoop Dreams is a three-hour documentary about basketball. If you are already turning the page, desist: this is a restless, irresistible film. It won rave reviews in America and came close to getting a Best Film Oscar nomination. Basketball is merely the trade and outward tackle of a larger human tragedy, much as whaling is in *Moby Dick*.

Co-makers Steve James, Fred Marx and Peter Gilbert follow two black Chicago teenagers, talented scouts in the early scenes, through four years of hope and heartache, of warring families and torn cartilages, of sudden trophies and college contracts.

The film is so brilliantly edited, slashing 250 hours of footage into a mercurial 170 minutes, that it never seems trapped by any one subject at one time. It slides deftly between its two neighbour stories. William Gates is the boy with the settled home life and the look of gentle, smiling forbearance. You sense he

will be the underachiever. Arthur Agee is self-confident, sly-tongued, quicksilver. Born of a nursing mother and an ex-convict, ex-crack addict father who has now taken up religion - crooning out solo "spirituals" at the local church - the boy looks sure to be either a sporting genius or a delinquent.

Hoop Dreams was originally planned as a half-hour film with a thematic agenda. It is still about the merits and evils of sporting scholarships: the dangling of educational benefits to coax black youths out of one ghetto into another, the world of black-dominated sport. Film-maker Spike Lee of *Malcolm X* even makes an appearance, using a celebrity visit to a basketball summer school to mouth off about the commercial motives of colleges who headhunt for black sports prodigies. But a wonderful, scat comedy has crept into the sociological. We see the two boys being wooed by anxious scouts. We watch their bid to achieve barely-passable academic results (Arthur sits in his bedroom wrestling with an essay on "The life cycle of the butterfly"). We listen to the wailing and worrying of their parents, who talk to the boys or to the camera as if any audience will do for their arias on an unfair world or an unpredictable son.

Facial reaction shots are cut into the film almost subliminally, enriching the human texture. Look at the ebb and flow of agony on the coaches' faces during the games. Or watch for Arthur's tell-tale mini-second grimaces at home, as his estranged father offers career advice in a specially convened family summit: specially convened by Dad, we suspect. For the camera crew.

When success is glimpsed as a possibility for one family member, the rest of the family crowds to get in on the act. Arthur not only carries his parents' hopes; he lives the dreams



No simple-minded tale of race prejudice: Sean Connery and Ruby Dee in 'Just Cause'

of his failed older brother, a one-time basketball hopeful now turned overweight couch potato.

The "message" about underprivileged lives in *Hoop Dreams* is that successful children become beasts of burden; their task is to carry everyone else's yearnings and ambitions out of the ghetto. The film's only fault is that it ends up half-endorsing this success ethic. As Arthur's story soars, William's story declines. By the close he has all but vanished - or he has been reduced to the movie's Cheshire Cat: a disembodied grin haunting the bleachers while his co-hero triumphs in the state schools championship.

Hoop Dreams gives a wonderful human particularity to sport and sporting politics. But too, we feel, succumbs at last to the big emotion, as one black American's dream takes its mythic stride towards the "American Dream."

"Every once in a while you gotta get a little bloody," says Kate Capshaw to her husband Sean Connery in the murder thriller *Just Cause*. Connery arches an eyebrow and curls a lip. The Scottish-born Harvard law professor is nervous of jetting off to the Everglades to investigate - at a fearful black woman's recent request - a seeming miscarriage of justice. The woman's son has been sentenced to the chair for raping and murdering a white girl. But did he do it? Or was a false confession beaten out of him by sadistic Florida cop Laurence Fishburne?

Since Fishburne is also black, this is no simple-minded tale of race prejudice. Instead the simple-mindedness is transferred to the visuals. Director Arne Glimcher, adapting a bestselling novel by John Katzenbach, turns southern Florida into a place of wildly overwrought devilry.

Alligators with luminous eyes; a serial killer (Ed Harris) with satanic underlighting; and all hell let loose in the final showdown as everyone thrashes about in a midnight swamp braving guns, 'gators and B-movie dialogue.

The black-versus-black perspective is the only novelty and the only motif left, teasingly understated. Fishburne's saint in a fancy hat - does the Miami police department really encourage such psychedelic handstands? - could be a rogue "ethic" corrupted by the traditions of white American law-keeping. Or he could be a natural born brute in his own right. And the young man on Death Row could be a race-persecuted innocent or the real killer.

That we do find out though I cannot reveal the dénouement, being under pain of death from the distributors. *Just Cause* rumbles along enjoyably enough. It is helped by

Connery's spry authority as chief sleuth and by the film's spy ambiguity over whether it is a murder romp to which race is irrelevant, or whether it is part of a new genre of black discontent suggesting the rise of ancestral grievance on both sides of the law.

Fiorile, by the Taviani brothers, is also high on ancestral grievance. We feel we are drowning in the tide of multi-generational doom as a family curse works its evil across a hundred years. Stolen gold; Napoleonic firing squads; poisoned siblings; Nazi resistance; all wrapped up in deceptively pretty Tuscan scenery.

There is much rough magic in the camerawork, as we expect from the makers of *Padre Padrone*. But there is little emotional magic. With a plot as many-chambered as this, we have no time to care about one set of characters before the next is being wheeled on for our inspection.

Concert
Visitors from Amsterdam

How much time it spends on the road seems to be a measure of an orchestra's standing at the moment. Like errant spouses, the top international orchestras are straying for ever longer periods away from their faithful audiences at home.

The Royal Concertgebouw Orchestra proclaims proudly in the brochure for its current tour that it is giving no less than 10 concerts around the world this season. This must amount to no small outlay for its financial providers, both in the public and private sectors. The foreign concerts are grouped in series, presumably after the same programmes have first been performed in Amsterdam, a few of them with Georg Solti but most with Riccardo Chailly, the orchestra's principal conductor.

The appointment of Chailly in 1988 (the first non-Dutch conductor to hold the post) has proved a good choice. As one might expect of an Italian, he brought with him a keen ear for clarity and detail.

Lightening the orchestra's sound without losing the tonal blend which was his hallmark. In Amsterdam he seems to have adopted the admirable Dutch spirit of give-and-take, in harnessing the orchestra's noble tradition rather than seeking to overturn it.

Unfortunately an air of compromise sometimes stifled these performances. To open the all-Beethoven first half, we had an unexciting *Egmont* Overture, not burning with molten lyricism as it once was under the Italian Glinini, nor trenchant as under the Dutch Haitink. Somehow there was more time than one needed to admire the inimitable sweetness of the Amsterdam strings and the remarkable unanimity of the wind section.

The most memorable performances of the Third Piano Concerto are also often those which go on on a limb, either fearlessly on the attack or lyrically submissive. Chailly and his soloist, Maria Joao Pires, are too thoughtful as musicians to allow the concerto to become so one-sided. Give-and-take was very much in evidence here, with Pires often allowing the orchestra's fine soloists to take the lead, but among much that was praiseworthy there were few strong ideas on which to focus interest.

Stravinsky's *Shéhérazade* immediately set out with more purpose. The cellos diving into their opening phrases with some swagger, the violins surging upwards arrogantly, and the discretion of the brass was appreciated even more than before ("don't look at the brass"). Stravinsky warned, "it only encourages them". As a Straussian, Chailly combined his innate good sense and musicianship with enough panache to lift the concert to a distinguished level. After *London*, the orchestra moves on to the US and Canada. A shame they will not be at home to see the tulips bloom.

Richard Fairman

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Sarah Hemming on two witty theatrical responses to the horrors of totalitarianism

For his inaugural production as the new artistic director at Nottingham Playhouse, Martin Duncan has picked *The Nose*. Gogol's absurd short story about a nose on the run is a savage indictment of the social inequality and dehumanising bureaucracy in 19th century St Petersburg. It portrays the same lurid, grotesquely funny and heartless world as *The Overcoat*, which is more frequently adapted for the stage, but from a different social viewpoint. In *The Nose*, a high-ranking civil servant wakes one morning to discover that his nose has taken a break from his face in a most inconvenient manner; his frantic attempts to sniff it out lead him into a nightmarish fantastical world.

It is a delightfully funny story and fiendishly difficult to catch on stage. Duncan's exuberant production and Alistair Beaton's script go a long way. Beaton's writing is spry, witty and buoyant, peppered with gags and puns, with quick-fire dialogue and sudden comic changes of style, while Duncan's production is nimble, funny and inventive, played out against Tim Hatley's atmospheric set of gigantic steps and drawers, that wheel around to create corridors of power and sug-

A good Nose job

gest a seething, Dickensian world of dark interiors. Beaton's adaptation starts from the nasal perspective. In the house of an impoverished barber and his wife, the runaway proboscis turns up in a bread roll. They try to dispose of it, but the nose, which now has the scent of freedom, snuffles off into the night. Cut to the home of Kovalyov, the collegiate assessor and the tiresome owner of the gad-about snout - the sort of fellow whose face you would swiftly vacate if you were a nose.

Set on with despair at his plight, the collegiate assessor begins a hunt which brings him across so many faceless bureaucrats that to be noseless begins to look like a relatively trivial dilemma. The nose, meanwhile, has drawn, acquired airs and taken to sauntering around St.

Petersburg dressed as a top civil servant. When Kovalyov (Robert Bathurst) finally does encounter it, it has reached a higher rank than his own, and refuses to rejoin his face. It has also become a rather vulgar boomer, with a taste for hanky-panky.

The production enters into the story's satirical style with relish and responds to its absurd streak with theatrical tricks, chief among them the ever-growing and increasingly snuffy nose. It does begin to lose its grip, however, at the surreal pinnacle of the story, at which point the collegiate assessor argues with his own nose at the back of a church. While this absurd scenario might work wonderfully in the mind's eye, it is not so easy to present on stage without just falling into pure pantomime, and Phebe McDermod's nose, a giant snout on legs, has a whiff of Mr Blobby about him that is rather disconcerting. Your suspension of belief, already profoundly challenged, starts to waver here and you feel the joke is beginning to wear thin. By and large, however, the staging is an enjoyable, imaginative and wittily executed attempt to meet Gogol's tantalising comic style: a *Nose* job of distinction.

Havel's 'Memorandum'

One problem facing any writer in a totalitarian regime is that many words and phrases are hopelessly devalued by their official use. In *The Memorandum*, the Czech dissident playwright-turned-president Vaclav Havel tackles this dilemma head on, by making language itself the subject of the play. His 30-year-old comedy deals with a monolithic office of uncertain function, where a new language is introduced to make communications more precise and to galvanise the chronically inefficient staff. Naturally, the project is doomed. The language proves too difficult for most employees, those who do master it begin to introduce unwelcome spontaneity, and the labyrinthine rules attached to its use are utterly self-defeating.

It is a funny and very clever play, and its revival at the Orange Tree in Richmond reveals it to be just as pointed as at its premiere. The portrayal of an unwieldy bureaucracy, whose only purpose seems to be self-perpetuation, will strike many people as familiar; the use of language

or jargon to obscure meaning has by no means vanished. And while the play is about language, it also uses it as a metaphor: it takes little effort to see the imposed language as communism - or any political system. As a political parable, the play seems almost prophetic: everything another introduced to take its place, while those involved in its implementation invent rules so complex they never need to do anything.

If the play has faults they are, as you might expect, that it can be verbose and over-intellectual. But it is very droll and beautifully acted in Sam Walters's meticulous, funny production. A strong cast reveals in the play's absurd humour: John Baddeley is enjoyable as a blustering teacher, Roger Llewellyn as a florid translator and Stephanie Putson as a bimbo secretary, Victoria Hamilton, meanwhile, is sweetly serious as the Havel figure, the junior secretary who backs the system by speaking the truth - and loses her job. The programme offers a primer of essential Pityde words, so I can tell you that the play runs at the Zup Zot until April 29.

The play's comic portrayal of a bewildering, intransigent bureau-

cracy and nightmarish love of control is reminiscent of Kafka, while some of its bully-boy characters and its circular progress remind of you of *Animal Farm*. In the space of 24 hours, Gross is demoted and returned to power, the useless language is introduced, discarded and another introduced to take its place, while those involved in its implementation invent rules so complex they never need to do anything.

If the play has faults they are, as you might expect, that it can be verbose and over-intellectual. But it is very droll and beautifully acted in Sam Walters's meticulous, funny production. A strong cast reveals in the play's absurd humour: John Baddeley is enjoyable as a blustering teacher, Roger Llewellyn as a florid translator and Stephanie Putson as a bimbo secretary, Victoria Hamilton, meanwhile, is sweetly serious as the Havel figure, the junior secretary who backs the system by speaking the truth - and loses her job. The programme offers a primer of essential Pityde words, so I can tell you that the play runs at the Zup Zot until April 29.

INTERNATIONAL
ARTS
GUIDE

AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 5732 911
● Alfa Romeo: The Essence of Beauty: exhibition marking the development and design of Alfa Romeo cars from the early part of this century to the most recent models; to Apr 2

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner; 7.30pm; Apr 2
● L'italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7.30pm; Apr 5
● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Apr 1
● Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and

produced by Winfried Bauernfeld; 7pm; Mar 30 (7.30pm)
● The Girl of the Golden West: by Puccini. A new production, conducted by Paolo Orni and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortuna; 7pm; Mar 31; Apr 4
Staatsoper unter den Linden Tel: (030) 200 4762
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles; 6.30pm; Apr 4

FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Kirov Orchestra St Petersburg: Valery Gergiev conducts Stravinsky and Tchaikovsky; 8pm; Mar 30
GALLERIES
Arte Giani Tel: (069) 57 58 37 88
● Le Corbusier: famous for his architecture, Le Corbusier also produced oil paintings, watercolours, drawings and graphics. This is an exhibition of 40 such works created between 1928 and 1964; to Mar 31

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Mahler Festival Part 2: Michael Tilson Thomas conducts the London Symphony Orchestra and pianist Dame Moura Lympany to play Takemitsu, Weber and Mahler; 7.30pm; Apr 2
● Vienna Symphony Orchestra: with pianist Rudolf Buchbinder. Nikolaus Harnoncourt conducts Haydn, Mozart and Beethoven; 7.30pm; Mar 31

Royal Festival Hall Tel: (0171) 928 8800
● Bach: St Matthew Passion: with the Bach Choir and the English Chamber Orchestra. Sir David Willcocks conducts; 11am; Apr 2
● BBC Symphony Orchestra: with mezzo-soprano Brigitte Fassbaender and conductor Alexander Lazarev plays Wagner, Mahler and Shostakovich; 7.30pm; Apr 1
● Rotterdam Philharmonic Orchestra: with pianist Andreas Haefliger. Claus Peter Flor conducts Beethoven, Mozart and Shostakovich; 7.30pm; Mar 30
● Royal Philharmonic Orchestra: with pianist Radu Lupu. Marek Janowski conducts Schumann, Beethoven and Brahms; 7.30pm; Mar 30

● The London Philharmonic: with soprano Annette Roodcroft. Roger Norrington conducts Mahler's "Lieder eines fahrenden Gesellen" and "Symphony No.4"; 7.30pm; Apr 5
GALLERIES
Whitechapel Gallery Tel: (0171) 522 7888
● Kika Smith: works from the past three years by the artist; to Apr 23
● New Art from Cuba: works by contemporary artists from Cuba; to Apr 23

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 31; Apr 5
● Madama Butterfly: Puccini's opera, originally directed by Graham Vile; 7.30pm; Mar 30; Apr 4
Royal Opera House Tel: (0171) 304 4000
● Selma: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 31
● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink; 5.30pm; Apr 1 (4pm), 4

NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: with soprano Sylvia McNair, baritone Hakon Hagegard and the Westminster Symphonic Choir. Kurt Masur conducts an evening of choral music by Brahms; 8pm; Mar 30, 31; Apr 1
● New York Philharmonic: with pianist Mitsuko Uchida. Kurt Masur conducts Beethoven's "Piano Concerto No.2" and Shostakovich "Symphony No.5"; 8pm; Apr 5
OPERA/BALLET
Metropolitan Tel: (212) 382 6000
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 30
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Apr 1, 4
● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 3
● Tosca: by Puccini; 8pm; Apr 1 (1.30pm)
New York City Opera Tel: (212) 307 4100
● Harvey Milk: music by Stewart Wallace, libretto by Michael Korie. A new production conducted by Christopher Keene and produced by Christopher Alden, a story about gay

activism, dirty politics, murder and street riots; 8pm; Apr 4
● Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scott. Soloists include Janice Hall/Olivera Kroytka and Stephen Mark Brown; Kroytka; 8pm; Apr 1 (1.30pm)

PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● Wiener Symphoniker: Nikolaus Harnoncourt conducts Haydn and Beethoven; 8pm; Apr 1
GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Brassai: works by the French photographer; to Apr 3 (Not Sun)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Mar 30; Apr 2 (5pm), 4
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conducts the orchestra and chorus of the Paris National Opera; 7.30pm; Apr 5
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Josi; 7.30pm; Mar 31; Apr 4 (3pm)

VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 13 63

● Wiener Symphoniker: Sir Georg Solti conducts Kodály, Bartók, Wagner, Berlioz and Beethoven; 3.30pm; Apr 1, 2 (11am)

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4800
● National Symphony Orchestra: with pianist Barbara Nissman. Barbara Nissman conducts Kempe, Prokofiev and Rachmaninov; 8.30pm; Mar 30, 31 (1.30pm); Apr 1, 4 (7pm)
● Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chailly conducts Berg, Beethoven, Stravinsky and Prokofiev; 8.30pm; Mar 31
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Mar 30; Apr 1 (7pm), 4
● Tiesland: by Eugen d'Albert. Roman Tereckiy directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 31; Apr 3 (7pm)
THEATRE
Horizon Tel: (703) 519 9123
● Kindertransport: by Diane Samuels. Jane Latham directs a play about the repression of memories in Nazi Germany and the survival of a woman and her relationships; 8pm; to Apr 4

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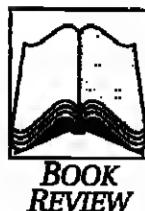
17.30

Financial Times Business Tonight

Midnight

Financial Times Business Tonight

The importance of stamping out loyalty



BOOK REVIEW

"White-collar shock" is a persistent theme of the 1990s. In the old days, redundancy was something that happened to the workers. For managers, the job for life was part of an implicit contract. The reality is now brutally different.

In the US, middle managers make up 8 per cent of the corporate workforce. Between 1988 and 1993 they accounted for 19 per cent of job losses. These days, as Mr Jack Welch, chairman of General Electric, puts it, companies cannot guarantee your job: only customers can.

Behind that apparently simple formula is a nagging asymmetry. The old middle-class commitment was a two-way affair. In return for security, managers worked extra hours, took extra risks and allowed inroads into their personal lives. Now that corporations have reneged on their side of the bargain, how can they still expect that kind of commitment? What, in short, has happened to loyalty?

Professor Heckscher has the answer, and it is a surprising one. The problem lies not in retaining loyalty, but in stamping it out. Even in businesses that have suffered severe job cuts, the surviving managers cling to their ideal of the company and the company treats them with anxious solicitude. This condemns the company to further decline and the managers to drudgery. All the suffering and upheaval goes for nothing. Loyalty is the enemy of change.

White-collar redundancy is commonly attributed to two main causes: the increase in global competition and the advent of the desktop computer. As Prof Heckscher persuasively argues, neither explanation will do. The phenomenon predates the information technology revolution, and extends to companies immune from foreign competition.

His explanation is evolutionary. At first, workers directed their loyalties to a charismatic leader or founder. Then, under such innovators as Alfred Sloan of General Motors, companies developed the concept of the bureaucracy, and the

WHITE COLLAR BLUES:
Management Loyalties in an Age of Corporate Restructuring
By Charles Heckscher
Harper Collins, New York.
224 pages, \$23

manager became loyal to his or her job.

In time, that became too rigid. To respond quickly to events, departments had to develop informal co-operation. Bureaucrats would help each other in the expectation of help in return. That was only possible with communal trust: thus loyalty to the corporation developed as a means of oiling bureaucracy's wheels.

That in turn has proved too rigid. First, the pace of change in corporate life has steadily accelerated, so that companies can no longer afford the long-term guarantees which the system requires. Second, the communities which the system produced were closed to outsiders, such as women or minorities. As workforces have diversified, the old order has broken down.

All the US companies studied by Prof Heckscher had felt the effects of this, and all had gone through what is euphemistically called "downsizing". Empirically, Prof Heckscher reports a remarkable finding. In companies where loyalty to the corporation remained strongest, change had been least effective and managers were most overworked. Where loyalty to the corporation was weakest, the reverse was true.

Corporate loyalty, it seems, is a fundamentally conservative instinct. Instead of changing their behaviour as their superiors intended, most loyalists slogged on in hopes of a return to the status quo. A few decided it was every man for himself, which besides being morally undesirable also meant reverting to bureaucratic rigidity.

Either way, middle managers largely rejected top management's attempts to explain strategy. If they listened, the hierarchical nature of loyalty made them unwilling to answer back. Just as middle

managers will not tolerate interference in their jobs from above, they will not venture an opinion on strategy. If top management is genuinely asking for advice, that carries the implication that they do not know what they are doing.

There is, it seems, a middle way. What he reports from companies which successfully embraced change is the beginnings of the next stage: loyalty not to the corporation, but to the project. In such cases, managers team up through the hierarchy to perform specific jobs lasting perhaps three or five years. After that they go on to the next project. If that is with the same company, well and good. If not, move on.

Those who have pulled off this change of attitude, says Prof Heckscher, are typically more relaxed and confident.

If this is the future, there is much rethinking to be done. Companies will have to make benefits such as pensions a lot more portable to allow their managers to move on. Managers will have to broaden their contacts outside the company through managerial or trade associations. Above all, companies must help their managers to make themselves more marketable, rather than treating that as a sign of disloyalty.

As Prof Heckscher says, not all managers will be able to achieve this new mobility. But his thesis raises a wider issue about its impact on society. The old form of corporate community went beyond the world of work. It was also a social organisation which grew up to replace the links of home town, family or neighbourhood.

The intensity of loyalty, as Prof Heckscher makes clear, has much to do with the human hunger for society. It remains to be seen whether the mobile manager, moving from task to task, will find that hunger satisfied, and if not, what he or she will do about it.

Some of the effects of blue-collar shock can be seen in inner cities and public housing estates. The long-term results of white-collar shock are yet to be assessed. On the strength of this remarkable book, Prof Heckscher might be the right man for the job.

Tony Jackson

Numbers cannot tell us everything; but at least they are a start. Purely political observers may be surprised to learn that, by most usual economic criteria, 1994 was a brilliant year for the UK. The newly published national income figures show gross domestic product increased in nominal terms by an estimated 5.9 per cent. Yet only 2 percentage points reflected underlying inflation. The remaining 3.9 points represented an increase in real output – a rise on earlier estimates. An increase of this size divided in this way is a prize for which many past government economic advisers would have given a fraction of their anatomy.

But this was not all. Normally the difference between GDP and gross national product is a matter for statisticians; the rest of us take whatever estimates are available. But in 1994, GNP increased by far more – by 7.5 per cent in nominal terms and 5.8 per cent in real terms – because of an exceptional jump in income from overseas investment, a theme to which this article will return.

Why, nevertheless, do most voters seem bitterly dissatisfied? Although the most recent phase of the recovery has been exported, consumer spending has not done all that badly. In 1994 it rose in volume terms by 2.6 per cent, not far below the long-term trend. Retail sales account for only a part of consumer spending and, in the past few months, there has been a switch to the National Lottery, the receipts from which are spent in one form or another.

Since higher spending, financed by lower saving, may not be all that satisfying, let us switch attention to real personal disposable income after all taxes and transfers. This last measure must surely have some relation to what people see as their standard of living.

At first we seem to have a clue. So far in this parliament real personal disposable income has risen by 1.4 per cent per annum, half the long-term trend – and also half the rate at which it rose in the 1987-92 parliament when John Major pulled off a surprise election victory.

But real disposable incomes are a treacherous guide. They rose very much less during the first Thatcher parliament of 1979-83, mainly due to rising unemployment and government budgetary tightening. Despite the denials of most political pundits, the Falklands

ECONOMIC VIEWPOINT

Time for some UK optimism

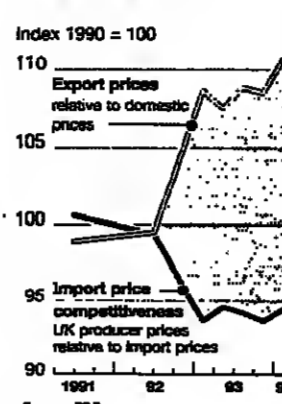
By Samuel Brittan

Growth of real personal disposable income % p.a.

1951-74	2.7
1974-79	2.2
1979-83	0.7
1983-87	3.5
1987-92	2.8
1992-94	1.4

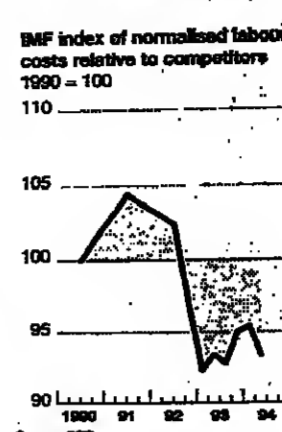
Source: CSD

Relative profitability of UK exports



Source: CSD

UK unit labour costs



Source: CSD

factor was probably decisive in persuading voters to give Margaret Thatcher the benefit of the doubt on domestic policy.

More recently, real income started to accelerate in the course of 1994. Although there are still tax increases in the pipeline in the shape of reduced mortgage interest relief and a reduced married couple's allowance, the bulk of the phased tax increases should soon be behind us. Real personal disposable incomes are likely to rise by an average of over 2 per cent during the present parliament, even without the so-called tax cuts in the next Budget or the one after.

So we are left with explanations for the current UK malaise which are familiar though difficult to pin down: depressed house prices and lingering negative equity; worries about the durability of jobs, which – if valid – will take years to appear in labour market statistics; and a growing public identification with every kind of lobby and pressure group to which the broadcasting media (not just the BBC) give such an

uncritical hearing.

The official figures are perhaps more illuminating when we examine the balance of payments. The UK current account deficit has infuriated many doom merchants by all but disappearing.

If one looks behind the official estimates, the deficit has more than disappeared. If even a small fraction of the £5.7bn in the "balancing item" for 1994, showing unattributed receipts, was due to current earnings, then the total current balance was clearly in surplus. Indeed, a better measure of the UK overseas position may be the balance of identifiable assets and liabilities. This has risen from slightly under zero (that is more liabilities than assets) at the end of 1991 to £36bn at the end of last year.

The table below left examines the improvement in detail. Despite a devaluation of nearly

12 per cent following the departure from the ERM, there has been no improvement in the visible trade deficit, apart from the erratic oil sector; and the improvement in services has been modest. Nearly all the change can be explained by a striking jump of nearly £7bn in earnings from overseas investment between 1992 and 1994.

Investment earnings are more volatile than visible trade, but the benefits from them are just as real as from exports of hard metal goods. In fact, nearly all the jump has been due to higher earnings from overseas direct investment in sites, plant and investment – which the doomsters had previously derided as a drain of foreign exchange adding to a so-called basic deficit in the balance of payments.

Although it shows no spectacular net improvement, the trade balance is still illuminat-

ting. For it would normally have been expected to widen during an upturn which has been faster and earlier in the UK than in main competitors.

British forecasters have usually expected devaluation to work by pricing British products into world markets. That is, they have expected export prices to remain stable in sterling terms after a successful devaluation and therefore to drop in foreign currency terms. Thus exporters would price themselves into overseas markets, but the British terms of trade would deteriorate.

This time, however, sterling export prices have kept roughly stable in foreign exchange terms and therefore shot up in terms of sterling. The devaluation gain has been taken in much higher export margins. The terms of trade have, far from deteriorating, shown a slight improvement.

Thus, for once, events followed the pattern predicted for small countries by trade theorists. The sterling prices of products which can be traded on world markets have risen in relation to the prices of other products mainly saleable on domestic markets. Import prices have also increased relative to domestic prices despite the partial absorption of some of the devaluation effect in narrowed import profit margins.

This shift in the domestic terms of trade in favour of exportable products has also been associated, given the structure of the UK economy, with a shift towards manufacturing from domestic services, and to profits from income from employment. These distributional shifts may provide a further clue to feel-bed factors, even though they are what many economists have long advocated.

In the past, devaluations have been eroded, partly by wage earners trying to compensate for the effects of higher import prices on their take-home pay. Less obvious, but more fundamental, has been the upward pull on wages from the export sector which has spread to the rest of the economy. Both of these effects were highly dampened because of the recessionary conditions at home and abroad when sterling left the ERM. These dampeners may now be much weaker; and the effects of further and sustained devaluation at a time of rising domestic and international activity may come as a rude shock to many observers.

UK balance of payments (£bn)

	1992	1994	Change
Non-oil visibles	-14.7	-14.7	0
Oil	+1.6	+2.6	+1.0
Services	+4.1	+4.7	+0.6
Investment income	+4.3	+11.2	+6.9
Transfers	-5.1	-5.5	-0.4
Current balance	-9.8	-0.2	+9.6

Source: CSD

Exports & imports: changes 1992-94 in index points, 1990=100

	Volume	Price
Exports of non-oil goods	+12.9	+14.6
Imports of non-oil goods	+10.8	+13.2
Exports of services	+6.8	+8.6
Imports of services	+5.7	+10.9
All goods and services: Exports	+12.7	
Imports	+8.9	
Change in %	-11.4	

From 1991. Source: CSD

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

All G7 states except Britain prize local autonomy

From Mr William Wallace.

Sir, May I offer, through your columns, a seminar for the British chancellor of the exchequer on the constitutional structure of the Group of Seven states?

You reported a speech by Kenneth Clarke ("Devolution threatens world role, says Clarke", March 25), in which he suggested that the creation of a legislative assembly for Scotland would place in jeopardy Britain's position as a

member of the G7.

Given that three of the other six members – the US, Germany and Canada – are federal states, the idea that over-centralised Britain requires the maintenance of political monopoly in London to justify its presence is absurd.

California legislation on unitary taxation may on occasion cause problems in American external relations. Bavaria (like other German states) has its own representative office in

Brussels. But these and other international activities do not undermine the international standing of their federal governments – on the contrary, they contribute to a fuller representation of the diversity of these advanced democracies. Japan has an extensive structure of prefectural government outside Tokyo. Italy has powerful regional bodies; France has decentralised substantially in recent years.

The United Kingdom is the

odd G7 member out, in which local autonomy has been reduced and the dominance of the central executive consolidated.

If the Treasury would like to enlighten its chancellor by putting a contract on elementary comparative government out to tender, I will submit a bid.

William Wallace,
European Studies Centre,
St Antony's College,
Oxford OX2 6JF, UK

Opec has natural interest in climate conference

From Mr Yusufu Turumdu.

Sir, Your article "Rift over CO₂ damps hopes of summit pact" (March 13) makes damaging allegations about the stance of the Organisation of Petroleum Exporting Countries on global environmental issues. Its basic claim – that Opec is "determined to sabotage the (Berlin climate) conference" – is attributed to unnamed "western officials". Yet these sources are themselves creating a smokescreen to obscure the real reasons for any failure in Berlin. When western nations disagree over such issues, they defend their interests. Does this same right extend to developing countries?

Our members implement policies to reduce greenhouse gas emissions (for example, the tremendous reduction in gas-flaring among Opec producers). So no-one can level a serious accusation of "sabotage" at them. We admit to a legitimate interest in the outcome of the conference, as recognised in the Rio Treaty which refers to the concerns of fossil-fuel exporting

developing countries. Opec has played a constructively critical role in various environmental forums, taking a reasoned line on the three chief issues:

- Adequacy of commitment. We are not yet convinced of the need for a review before steps are taken to implement the CO₂ target reductions set out in the FCCC.
- Rules of procedure. The interests of all would be best safeguarded by requiring consensus on substantive issues.
- Joint implementation. This issue – bound up with tradeable permits and emission-crediting – is so complex that it would be wisest to await feedback from the pilot phase.

Nor are Opec members defending an isolated position. On most of the issues we share our view with a majority of the "G-77 and China" grouping. Our stance, based on independent scientific research and forecasts, and developed at our international seminar, recognises divergent views about the uncertainties of global warming. Opec is not alone in this. It is in the scientific liter-

ature. Nor do we mind admitting to a coincidence of views with industrial interests and NGOs on certain aspects of the environmental debate. For example, we also call for a holistic approach towards greenhouse gases rather than concentrating on CO₂. Finally, we argue that oil products are already over-taxed more than 70 per cent in OECD countries to the benefit of energy sources with a greater carbon content or posing a separate environmental threat. That fact, and the cynical way some governments raise "green" taxes – not to spend on environmental measures, but to cut deficits – convinces Opec that the interests of developing countries need fairly representing. Instead of preparing Opec to be the scapegoat in Berlin, your respected newspaper might examine alternative points of view.

Yusufu Turumdu,
acting head,
Opecna and Information
Department,
Obere Donaustrasse 93,
1080 Vienna II,
Austria

Global warming calls for caution

From Elizabeth Young.

Sir, The FT Guide to Global Warming by Haig Simonian (March 27) ends by mentioning the "precautionary principle" and saying that "failure is unlikely to affect our lives, but may have an impact on future generations" because "climate change is extremely slow" and "the planet also has an extraordinary ability to adapt". Oh yes?

We do not, and cannot, know. Uncertainty reigns. The right metaphor is this: something is certainly coming round the corner, but we can't see what, so we can't know what it is or how fast it's coming.

If we are riding a bicycle, we can get off if we are driving a juggernaut, we can't get off, but we can and therefore do slow down, well before the corner, because slowing down is itself a slow business because of the momentum.

Climate change is like driving the juggernaut: we cannot get the actual evidence of what is round the corner until it is too late to slow down.

The precautionary principle says "slow down until you can see round the corner".

Some lobbyists are now saying: "Don't slow down until all of us can see round the corner."

By that time you couldn't slow down now enough even if you wanted to.

Elizabeth Young,
100 Baywater Road,
London W2 3HJ, UK

Electricity watchdog's move raises three questions

From Ian Powe.

The electricity regulator's statement on regional electricity company price controls boils down to one question for electricity, another for gas, and leads to issues of public confidence.

Did the Regs provide all the data he needed or did he get his sums wrong? With 220 staff, it is scarcely credible that Professor Littlechild miscalculated the price cap.

The question for gas is

whether transparency of accounts at TransCo, British Gas's £18bn pipeline monopoly, will ensure confidence that Ogas can control transportation charges which contribute more than 40 per cent to consumer gas prices.

The government should insist on full disclosure of energy monopoly accounts. Calling for relaxation of restrictions on Ogas' powers to disclose financial information, Ms Clare Spottiswoode

said "the public has a legitimate interest in this information". Unless TransCo is established as a wholly owned subsidiary of British Gas, corporate control could enable true asset values and rates of return to be hidden with a risk that confidence in regulation will be undermined.

Ian Powe,
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Abford House,
15 Wilton Road,
London SW1V 1LT, UK

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FINANCIAL TIMES

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Thursday March 30 1995

A banking brouhaha

The past week has witnessed a most unusual falling out in the hitherto cosy world of French banking. Société Générale and Banque Nationale de Paris, the private sector banks, are up in arms at what they consider the state's generous bailout of their ally but much bigger public sector rival Crédit Lyonnais.

Mr Jean Peyrelevade, the Crédit Lyonnais chairman, is furious at his competitors for querying the rescue while the European authorities consider whether to approve it.

The row could severely embarrass the French government and complicate its efforts to nurse its financial problem child back to health. It should nevertheless be welcomed by anyone anxious to ensure that the Crédit Lyonnais débacle is never repeated. By encouraging critical scrutiny of the rescue, notably in Brussels, SocGen and BNP may yet succeed in limiting the damage it threatens to inflict on competition in the French economy.

Under the complex package, announced on March 17, Crédit Lyonnais is to transfer assets worth FF1,350bn from its balance sheet into a separate subsidiary. This will be funded by a loan from a new state-backed company, which itself will receive a FF1,450bn, 20-year credit line from the bank. Crédit Lyonnais will earn interest at below-market rates on the latter loan, but will have to hand over sizeable dividends to the new entity until the bank is privatised.

Detailed assessment of the two banks' claims is impeded by the

fact that the 200-page contract between the government and Crédit Lyonnais has not been published. But their case that the deal represents a severe distortion to competition in the French banking market looks incontrovertible. The trouble is that the Crédit Lyonnais disaster is so large that almost any action to deal with its consequences would cause problems. As Mr Peyrelevade points out, pushing the bank into bankruptcy - as well as being unthinkable for a bank of this size - would not have been permissible under French law. In the absence of adequate state support, the private sector would have had to stump up - at a cost dwarfing any harm they are likely to suffer from unfair competition.

Conflicting duties

What BNP and SocGen are disputing, then, is not the concept of a state rescue but its terms. Clearly the deal is a compromise between the state's conflicting duties to the bank it owns, the banking system it supervises, and the taxpayers whose well-being it is supposed to ensure. The other banks' submission is that the government has got the balance wrong. And on the basis of what is known about the bailout, it is hard to disagree.

As he scrutinises the deal in the coming weeks, Mr Karel Van Miert, EU competition commissioner, should look especially hard at the interest rate being paid to Crédit Lyonnais on the doubtful assets it has hived off, and at the relationship between the entity holding those assets and the bank itself. He should ask himself whether the bank is being given a stiff enough incentive to dispose of the assets, shrink to a more sensible size and head for the private sector as quickly as possible. If not, he should demand revision of the terms.

Even if the deal is not amended, the political brouhaha raised by the two other banks may not be in vain. It is a useful further sign of erosion in the damagingly incestuous relationships between French public and private sectors. And it should further fuel the demands for fundamental change in the French corporate governance practices that lie at the heart of the Crédit Lyonnais fiasco.

Britain in the world

There was always a danger that a great debate on Britain's role in the world, in the current climate of British Euroscepticism, would end up as an exercise in nostalgia for long-lost imperial influence. Within the Royal Institute of International Affairs invited all the great and good of the British establishment, plus a fair smattering of distinguished foreigners, to discuss that very issue in London yesterday, it was clear that the European Union was not intended to dominate the discussion. The event was billed as an attempt to look beyond the EU, at all the other ways in which Britain is still a power in the world: in diplomacy, security policy, culture and indeed in trade and investment.

At the very least, Mr John Major wanted to concentrate on anything but Europe, the question on which his party is so deeply divided. Yet in the event, the EU and all its works were centre stage in the debate, in virtually every contribution except that of the prime minister. And quite rightly so. If Britain cannot resolve its relationship with its European partners, then it is unlikely to have clarity in its relations with the rest of the world - either as a trading partner, a business competitor, in foreign policy, or in security relations.

That was the message delivered forcefully by Mr Peter Bonfield, the chairman and chief executive of ICL. "If we want to be taken seriously on the world scene, we need to start by getting our house in order in Europe," he said. It was the same message given, from his very different perspective, by Mr Henry Kissinger, the former US secretary of state.

The "special relationship" that once existed between Britain and the US now needs to be replaced by a special relationship between the US and Europe, he said - in which Britain can and should play a vital role.

Clarity on Europe

It is not that Mr Major's message is wrong. It is just that without clarity on Europe, a crucial piece of the jigsaw is missing. The British prime minister, in his address, tried to raise the sights of the nation above the current state of inward-looking self-deprecation. They sought to focus on all the

great British achievements on the world stage, the country's contributions to democracy, free trade, a world culture, peace and security. They are right - as several international speakers helped to underline. There is no justification for British gloom, for it continues to exercise an influence on the world stage far beyond its natural position as a middle-ranking economic power. Its seat on the UN Security Council, its membership of the Group of Seven industrialised nations and its leading role in the Commonwealth confirm it.

Gloom prevails

Yet it is precisely because Britain has failed to come to terms with its identity as a middle-ranking European power that the gloom prevails. For Britain's role in Europe could and should be positive and enthusiastic, not niggling and negative as it now appears to so many of its partners. Mr Kissinger wants Britain to ensure that Europe is the special partner for the solitary superpower his own country has become. He does not want or expect Germany, or any other continental power, to have a special relationship with Washington.

On the trade and business front, Britain's contribution must be to argue for Europe as a free-trading, open competitive entity, with the minimum of bureaucratic regulation, and the maximum of democratic accountability. The challenge is to build a competitive British economy within a competitive European economy - precisely in order to compete with the new tigers of Asia and the Pacific.

It is clear that the economic and political challenge of the coming decades lies in Asia. It is a continent where democracy has yet to take deep root, and where the danger of conflict remains real, even as its economies are rapidly expanding. The other great challenge for the EU is to incorporate the emerging democracies of central and eastern Europe, requiring big adjustments on both sides. Mr Major has correctly identified those challenges. But they are ones which cannot be dealt with by Britain as a solitary nation state, but by Britain as an enthusiastic and positive participant in an outward-looking European Union. Going it alone is no longer any answer.

When Europe's biggest company stirs, the tremors spread far and wide. The shake-up proposed yesterday by Royal Dutch Shell is one of the largest corporate restructuring exercises attempted. It will have dramatic - and painful - effects on thousands of employees who will be uprooted or lose their jobs. It should also sharpen competition in the international oil business as Shell develops a bolder edge.

Nor will the impact stop there, because the reshaping will provide lessons for the corporate redesign business worldwide. Where Shell - one of the most successful companies in the oil business - goes, others are likely to follow.

Indeed, there is no obvious reason why Shell should embark on such a potentially wrenching exercise. Only a month ago, the company announced record earnings for last year of \$4bn, an increase of 24 per cent. Its return on capital employed, the main measure of financial efficiency, was, at 10.4 per cent, back in double figures for the first time since 1990. This was the result of a shake-out of the operating companies which led to the loss of more than 10,000 jobs out of about 100,000 last year, and the sale of Shell's large mining interests.

Shell's internal management systems are also famous for their smoothness: the company's culture is good at breeding the right corporate types and fostering a co-operative atmosphere. "Shell man", correct and committed, is recognizable in the dozens of countries where the company operates.

But Mr John Jennings, the chairman of the UK side of the UK-Dutch company, says the rate of return is not high enough to sustain the company in the long term. Shell is gradually running out of puff and will not, its strategists believe, be halted by higher oil prices or a slackening of competition.

In the past, Shell had a reputation for spending its way out of difficulties, which was fine so long as profits were adequate. Now that they are not, cost-cutting is the necessary alternative.

Furthermore, the Shell culture is also good at breeding committees - hundreds of them, which once created never go away. "There is a committee culture," says Mr Ernst van Mourik-Broekman, who is in charge of human resources and has been co-ordinating the review.

The proposed changes, which will be shaped in detail through consultation with staff over the next six months, are radical because they do more than attack the overstaffing and bureaucracy that threaten to weigh Shell down. They will also eliminate many of the regional fiefdoms through which Shell runs its worldwide empire, and which allow local barons

Shell's decision to slash its head office and dismantle its once admired 55-year-old matrix organisation marks the end of an era - not only for the oil giant itself, but for multinational company structures as a whole.

With growing global competition and unforgiving shareholder pressure for better performance, few organisations can any longer afford an elaborate structure in which important decisions require laborious debate between several sets of executives with overlapping responsibilities. In Shell's existing three-dimensional matrix, the executives represent national or regional units, business sectors (or divisions) and functions such as finance and human resources.

Nor can a company afford the army of co-ordinators and other staff needed to support and "police" such a matrix. Hence Shell's decision to cut its head office so sharply.

Big head offices are certainly an anachronism - though not all multinationals have realised that yet, especially in Asia. But the same

Barons swept out of fiefdoms

Shell's far-reaching shake-up is dramatic but necessary, says David Lascelles

to wield a great deal of power.

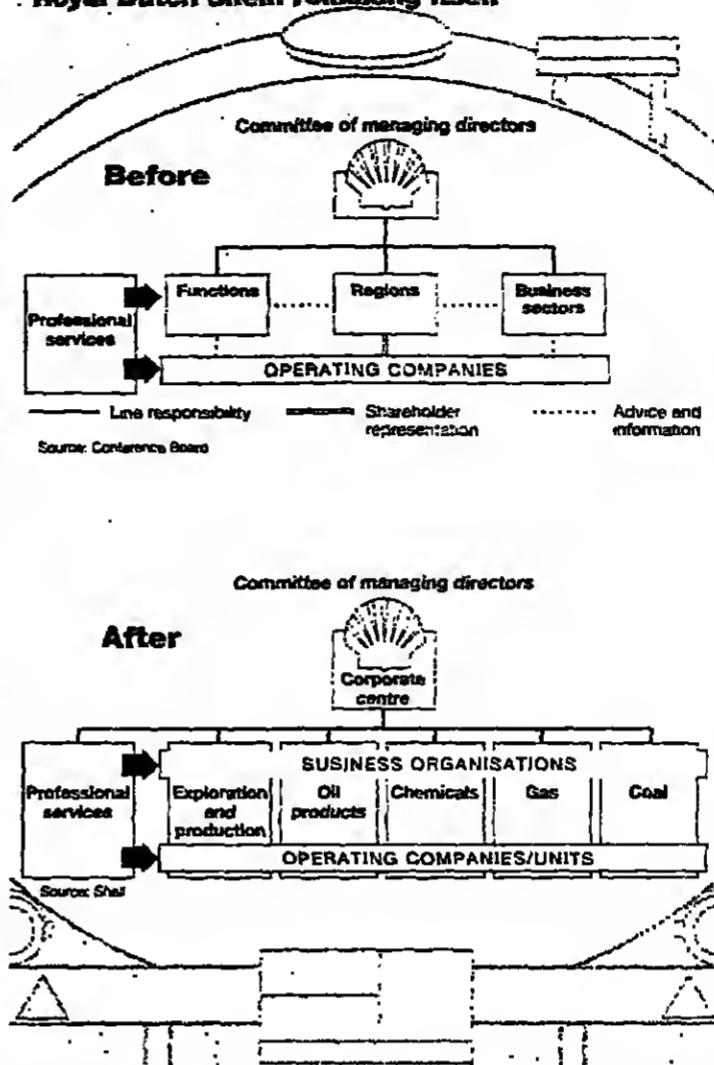
For historical reasons, Royal Dutch Shell is organised mainly on geographical lines. Each country or region has its own companies and managers. These report back through layers of command to the corporate centre which is split between London and The Hague. At the top is the four-strong committee of managing directors (the CMD), each responsible for one of Shell's four regions and a number of businesses. Regional co-ordinators ensure there is no overlap between different companies.

This structure has evolved into a matrix which also divides the company into its various activities: exploring for oil, refining it and selling it, and so on. These operations are supported by central companies providing legal, financial, information and other services. Such a matrix is fairly conventional in management terms, but it has become extremely complicated: a given operating company can be defined by its geography, its sector within the company and its line of business. On the organisation chart, it looks like a fort besieged by arrows coming from all directions.

In future, the group will be shaped around five business organisations covering Shell's main activities: exploration and production, oil products (refining and marketing), chemicals, gas and coal. Each operating company will report to whichever of these organisations are relevant to its activities. The shape of the operating companies will not be altered by these proposals, only their relationship with the rest of the group.

The first three of these organisations, which represent the bulk of Shell's business, will be headed by new business committees (gas and coal will be treated as project development companies). These committees will consist of up to eight representatives of the key companies in each organisation, including their respective research and technical services. The committee's members will make the broad strategic and investment decisions for their organisations, but will leave executive authority with the operating companies so that they retain

Royal Dutch Shell: remaking itself



the "localness" which forms a main part of the Shell creed. They will also ensure that technological know-how gets to the right parts of the company, for although Shell wants to cut costs, it will continue to have a heavy investment programme: more than \$10bn a year.

These potentially very powerful committees will operate in a collegial manner: there will be no chief

executive, and all members will be able to challenge each other on their performance. The committees will be chaired on a non-executive basis by one of the group managing directors, who will report to the CMD, which also adopts a collegial style.

For example, Shell Australia, one of the larger regional companies, would report to, and receive its stra-

tegic targets from, all five organisations because it produces oil and gas, refines and markets oil products, and is active in coal and chemicals. Mr Rick Charlton, chairman of Shell Australia, would retain his position at the top of the operating company. But like other country chiefs, he would not necessarily become a member of a business committee because no country in the group is large enough for an automatic place. (Shell Oil, the US arm, is not included in the reforms for legal and technical reasons.)

A central aim of the new structure is to reflect the different types of decision that are taken at various levels within the group. The executives who run operating companies need a lot of local authority - and to be personally responsible for their companies' performance. But their decisions are limited to the company, focusing on the front line and the customers.

The business committees will look at wider strategic issues that require a more collective approach. Their decisions will affect many companies, and their focus will be back up the chain of command to the committee of managing directors and ultimately to the shareholders. This way, Shell hopes to encourage maximum local initiative within a structure that keeps the group as a whole heading in the chosen direction, and provides the right checks and balances.

For Shell's internal politics, these changes could be dramatic. At a stroke, they will cut the larger regional baronies and reduce the layers of regional co-ordination, which will account for many of the 1,170 jobs that will go at the centre. But the changes will also create a new senior officer corps in the members of the business committees. These members will be nominated by the managing directors in mid-summer - a moment that could make or break many high-flying Shell careers.

Shell accepts that the changes are radical. But it hopes that they will not create damaging ructions. Mr Broekman talks of "piecemeal changes" that will "alter the feel of the place over time", rather than a reform undertaken to achieve some utopian ideal. Nonetheless, the proposed handover of responsibilities from the present structure to the new business organisations, scheduled for October 1, will be a significant moment for Shell. It may also seem late in the day. Other big oil companies such as Exxon, British Petroleum and Amoco, have already gone through big corporate upheavals to adjust to flat oil prices, and have seen their fortunes revive. Shell has shown that it cannot stay aloof from the process if it wants its own fortunes to head the same way.

Christopher Lorenz

End of a corporate era

does not apply to the principle of matrix organisation, contrary to the impression given by Mr Cor Herkströter, Shell's Dutch chairman, in his burial speech yesterday. Far from it. Despite similar supposedly graveside orations from other multinational bosses in recent years, the matrix is far too useful to be buried.

British Petroleum, Imperial Chemical Industries and some other multinationals have abandoned matrices, and shrunk their head offices accordingly. But International Business Machines, Dow Chemical and many others are merely streamlining their matrices.

A third group, including ABB, Deutsche Bank and Caterpillar, has been installing new matrices, often for the first time. The most recent enthusiasts, from the beginning of this year, are the airlines.

The main difference from the past is that most of these new matrices have only two decision-

making dimensions, such as Ford's. In almost every case, most of the power has been put in the hands of international business or product division managers, relegating geographic and especially functional management to subordinate roles.

Multinational company structure is certainly a complicated issue, but it is far from merely an academic one. As Mr Herkströter implied yesterday, large organisations must be able to do several seemingly conflicting things at once: marshal their resources across the globe much more effectively, rapidly and flexibly; slash the cost of the head office - or "corporate centre" - co-ordination required to do that; and avoid losing their ability to respond to differing market and competitive challenges in countries and regions around the globe. That requires quite some balancing act.

The companies most at risk of losing national and regional mar-

ket responsiveness are those which have gone over to one-dimensional organisations in which their business divisions are all-powerful. Their geographic units have been reduced to playing little more than supporting roles in sales and service, which risks alienating customers and demotivating staff in countries other than those where the business divisions have their headquarters.

Several aspects of Shell's reorganisation should - if they work as intended - help mitigate any loss of responsiveness:

● The retention of a "dotted line" relationship between the corporate centre and national operating company, alongside the latter's main reporting line to the international business division. Mr Ernst van Mourik-Broekman, who headed the reorganisation team, says: "We'll have a weakened matrix, though it's probably better not to use that word."

● The maintenance of strong country managers heading many of the national operating companies, which will remain Shell's prime frontline units. Many other companies have abolished or enfeebled the role of country management.

● By retaining a degree of influence at head office for regional experts as advisers to Shell's top management team, the committee of managing directors.

● The reinforcement of this structural change by a programme to revamp the group's management processes and mechanisms and transform people's attitudes, skills and capabilities. Two of the main goals here will be better teamwork and mutual support. As Mr Broekman admits, that will involve a fair degree of cultural change - a concept that many Shell managers have sneered at in the past when other companies have tried it.

If Shell's new organisation is to remain responsive to market differences and internal innovation around the world, that culture change will have to create what business academics have called the flexible and co-operative "matrix in managers' minds". Matrix structures may be unwieldy, but matrix thinking is inescapable.

OBSERVER

Clowning in Chicago

■ The Republican party may be on the march across much of the US, but New Gingrich's revolution has failed to reach Chicago, the home of the legendary Democratic machine.

In Chicago's April 4 mayoral elections, Ray Wadlington, known professionally as Spanky the Clown, will be the Republican challenger to incumbent Richard M Daley. That the GOP could only find a clown to run against Daley is not surprising, given the grip the Democrats have had on city politics for the past 64 years. Chicago hasn't had a Republican mayor since 1931. The few respected Republicans that have mounted challenges for the mayor's office in recent decades have ended up a laughing stock, their reputations in shreds.

And while Illinois has a Republican governor and several Republican congressmen, there is only one Republican alderman on Chicago's 50-person city council. The Republican party is so risibly weak in Chicago that only 8,622 voters bother to participate in the primary that nominated Wadlington; he won narrowly, with 2,447 votes.

Anyone wishing to mount a serious challenge to the Democrats - generally disaffected Democrats themselves - chooses to stand as an independent. This year, Roland Burris, a former state controller

and attorney-general, is seeking the mayor's office, polls show him trailing far behind the popular Daley.

Agnew ousted

■ Rodolph Agnew, chain-smoking ex-boss of Consolidated Goldfields, has been ousted. There is another side to the flamboyant rightwing conservative who now chairs Lazzaro and will soon take the helm at Redland. A round of applause, please, for Agnew the South African peace-maker.

Agnew has never boasted about his hit-part in South Africa's move to democracy. However, the tale of his involvement in one of history's most remarkable political transformations has surfaced in Allister Sparks' new book on South Africa, *Tomorrow Is Another Country*.

Agnew owes his involvement to Michael Young, his politically involved public relations man, who knew Oliver Tambo, the late African National Congress leader. Tambo told him that British

business could help by arranging a dialogue with the Afrikaners. Young put the idea to Agnew, who, to his surprise, agreed that ConsGold would pay for a series of secret meetings between the ANC and top Afrikaners.

A dozen meetings were held at Melville Park House, a country mansion close to ConsGold's highest quarry in Somerset. More than 20 prominent Afrikaners, including Wimpie de Klerk, the former president's brother, attended. The ANC contingent was led by Thabo Mbeki, now one of South Africa's two deputy presidents.

Wimpie de Klerk's message back to his friends in the Broederbond, the secretive organisation linking senior Afrikaners, was: "Look, boys. Everything is OK. We can do business with the ANC. They are not that radical."

Agnew was neither involved in the secret meetings, nor tried to take credit for them. As a big investor in South Africa it served his purpose that they should happen. Whether they achieved anything beyond building up trust between the two sides remains uncertain. But they were probably considerably more fruitful than the highly publicised meeting in Zambia between Gavin Relf, the chairman of Anglo-American, and the ANC leaders - which reminded many of the surrender of Singapore.

Colonel Vlad

■ Russia's defence minister, General Pavel Grachev, chief architect of the brutal assault on Chechnya, is adopting some desperate measures to restore his popularity.

■ Bizarrely, the little-loved Grachev has now bestowed the honorary rank of reserve lieutenant colonel on none other than Vladimir

Zhirinovsky, the ultra-nationalist leader of Russia's misleadingly named Liberal Democratic party.

Zhirinovsky's press office was quick to trumpet the news, saying the award had been made in recognition of his "outstanding contribution to strengthening Russia's defence capability and on the eve of his 50th birthday". Stranger still, Zhirinovsky's minions clearly have not read their leader's autobiography. He will not be 50 until April next year. Maybe he's doing a probationary period, trying on the uniform for size, that sort of thing.

Carted off

■ John Carter, chief whip of New Zealand's governing National party, is in a bit of hot water. In what he later described as "a bit of a hoot," he called on Sunday a radio chat show - hosted by government minister John Banks - and masqueraded as a workshop Maori, moaning about government proposals he said would threaten his "free ride" on state benefits. Carter apologised yesterday, saying he hadn't intended to cause offence. Minister prime minister Don McKimmon feels Carter should be forgiven: "He acknowledges that, as an attempt at humour, it was ill-conceived."

Now if Carter had only spoken as himself, no doubt many New Zealanders would have found his sentiments entirely innocuous.

Financial Times

100 years ago

The property market
There will be no sales at the Mart on Monday. It will be 1st of April, and auctioneers have a superstitious dread of "All Fools' Day". For some properties which are brought to the hammer, it would be the very day of all the year for catching a purchaser.

The telephone inquiry
The Select Committee of the Commons considering the Question of the telephone service sat yesterday, when Mr Chisholm, a member of the Glasgow Town Council, said that the telephone service in Glasgow was very unsatisfactory, and many of its subscribers were very dissatisfied. Mr Chisholm said a member of the Corporation of Glasgow was so dissatisfied with the continual interruption to which he was subjected that he smashed his instrument down.

Omard Steamship
At the annual meeting Sir John Burns, who presided, expressed his regret that no dividend could be declared owing to bad trade and the great deficiency upon outward passenger traffic.

The Financial Times was not published on Good Friday March 30 1945

Major steers clears of tackling EU policy issues

UK urged to strengthen commitment to Europe

By Bruce Clark, Guy de Jonquieres and Robert Peston in London

Business leaders and influential commentators from the UK and abroad said yesterday Britain needed to clarify and strengthen its commitment to the European Union if it was to continue to exercise a wider global role.

Speakers at a UK government-sponsored conference in London emphasised that uncertainty about Britain's position in Europe was diminishing its influence within the EU and could damage the country's economic and financial interests.

Their focus on the importance of relations with the rest of Europe contrasted sharply with the assertion by Mr John Major, the prime minister, that "domestic debate in Britain focused far too narrowly on the internal workings of the EU".

Mr Major, who opened the conference, barely mentioned European policy in his 40-minute speech, in which he stressed that Britain was first and foremost a nation state "attached to our independence, our sovereignty and our national peculiarities".

Although the UK worked particularly closely with its EU partners, it still pursued a global foreign policy with a wide range of international political, economic, and defence commitments.

However, Mr Peter Bonfield, chairman of ICL, the largest UK computer company, told Mr Major that Britain risked being marginalised in Europe and ignored by the rest of the world unless it came to terms with the realities of EU membership.

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Mr Howard Davies, director-general of the Confederation of British Industry, representing corporate interests, also called on the UK to commit itself firmly to the EU and said other countries were confused about Britain's foreign policy.

Dr Henry Kissinger, former US secretary of state, said the UK could play an important role in forging a stronger transatlantic relationship - though as a representative of Europe, not as an

individual nation.

Dr Horst Tietzsch, a director of BMW and a former senior adviser to German Chancellor Helmut Kohl, warned that Britain would forfeit important global diplomatic and economic opportunities if its position in the EU remained ambiguous.

This theme was echoed by Dr Josef Joffe of the Süddeutsche Zeitung, who urged Britain to play a full part in the EU. "But to be a key player, one has to play and stay in the game," he said.

Mr Douglas Hurd, the UK foreign secretary, sought to carve out middle ground by acknowledging the benefits of EU membership, while calling on its members to look outwards. He said Britain's world position was one of the EU's strengths.

Mr Major said the UK was considering launching an initiative to "press for really effective reforms" of the United Nations. He said he would press the UN to reactivate attempts to persuade Iraq to accept a slight relaxation of trade sanctions, so the Gulf state could sell a small amount of oil provided the proceeds were earmarked for the import of food and medicines.

Canada and EU move towards solving fish dispute

By Caroline Southey in Brussels, Bernard Simon in Toronto and Michael Littlejohns in New York

Canadian and European Union officials yesterday reported progress on talks to end a three-week old dispute over fishing rights in disputed waters off Newfoundland.

The negotiations, covering enforcement measures, conservation of fish stocks and the allocation of a quota for Greenland halibut, also known as turbot, were being conducted in a "new spirit of co-operation", a European Commission official said.

A Canadian official said "significant progress" had been made in the talks, particularly on the question of improved enforcement measures.

But in a further indication of tension on the issue within the EU, there were reports from Brussels that Britain had blocked the sending of a letter of protest to Canada in the name of all 15 EU states. The development came a day after a British official in Brussels said the UK would veto EU attempts to impose sanctions against Canada. Spain was expected to press EU ambassadors to impose sanctions at a meeting today.

In London, Mr Douglas Hurd, the UK foreign secretary, called on both sides to "hold off" while negotiations were under way. "The Spaniards should not fish in waters where the difficulties lie and the Canadians should be careful about things like cutting nets," he said.

There was little activity yesterday in the disputed fishing grounds just outside Canada's 200-mile fishing zone, known as the "nose" of the Grand Banks. A Canadian fisheries official said the Spanish trawler fleet had moved east of the disputed area.

According to Canadian surveillance flights, one of the Spanish boats, the *Pescamar Uno*, had recovered its nets, which were cut by a Canadian patrol vessel last Sunday.

In New York, Mr Satya Nandan, chairman of a UN conference on fish conservation, appealed for calm between Canada and the EU. He added that he was concerned about the lack of settlement procedures in the Northwest Atlantic Fisheries Organisation in a dispute such as between Canada and Spain, both of which are members.

Mrs Emma Bonino, EU commissioner for fisheries, said yesterday it was time to "stop the war of words". "I am deeply worried about the aggressive attitude of the Canadian authorities because we will only find a long-term solution to the conflict by respecting international law and... through negotiation," she said.

The Commission has prepared a list of possible measures the EU could take against Canada should the dispute worsen.

THE LEX COLUMN

Reshaping Shell

No names were mentioned in the speech delivered to Shell's staff yesterday outlining the group's long-awaited restructuring plans. But the spectres of BP and Exxon loomed large. Shell, which is vying with Exxon to be the world's largest oil producer and refiner, wants to beat Exxon's return on capital too. Although Shell's ROC edged back into double digits last year, it still lags Exxon, and was even overtaken by BP in the fourth quarter.

There are several reasons for this: Shell has a large, low-performing cash pile; it pursues an aggressive capital expenditure programme, and its costs are still high relative to the rest of the industry. Yesterday's plans appear to have little direct impact in any of these areas. Shell is right to simplify its management structures, but the estimated \$300m-\$350m in direct cost-cutting is negligible in the context of the group's total costs.

One way of cutting costs more drastically would be to trim its heavy capital expenditure programme, but Shell's decision to maintain capital expenditure is justified. Its investments are sometimes slow to pay off, but Shell has already managed to increase its bias towards high-return businesses. It has shed its mining interests, which were dragging down returns, and is performing well in the fast-growing natural gas market and in emerging markets. However if Shell wants to move more swiftly to enhance returns it should consider giving some cash back to shareholders.

Deutsche Bank

Deutsche Bank was never going to repeat its record 1993 figures, but 1994 turned out to be an exceedingly disappointing year.

The enormous bank made virtually no money in the last two months of 1994. Full year net profits, excluding minorities, were DM1.36bn, just DM13m more than in the year to October. To borrow a phrase from chairman Mr Hilmar Kopper, this is peanuts.

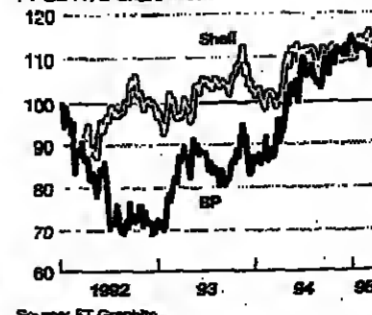
Earnings growth should revive this year and next, especially if provisions are further reduced and trading income recovers. But this alone is not enough to turn the tide of investors' sentiment in the bank's favour. Even with the share down 11 per cent this month and nearly 30 per cent over the past year, they still look expensive against other European financial institutions on pure valuation grounds.

FT-SE Eurotrack 200:

1349.1 (+4.4)

Oil companies

Share prices relative to the FT-SE-100 index



Source: FT Graphix

Moreover, the cosy domestic market, which has been the basis of Deutsche's prosperity for decades, is becoming noticeably more competitive: money market funds and telephone banking are eroding Deutsche's cheap financing base.

It is doubtful whether the management, distracted by one corporate entanglement after another in recent years, has formulated the right response to this long-term problem. The desired push into investment banking may be necessary but is taking too long to execute. Morgan Grenfell has proved a success, but other acquisitions outside Germany - notably the purchase of ITT's financial services arm last December - look more questionable.

US telecoms

Sprint's alliance with three cable companies, formalised yesterday, involves a big push into two new markets: the provision of telephone services over cable television networks; and personal communications services, a new type of mobile telecoms. Sprint and its partners - TCI, Comcast and Cox - will be investing \$4.4bn of equity over the next three years in their joint venture. Given that there is scope for borrowing, the total investment could be much greater.

Since neither market yet exists in the US, Sprint's strategy is risky. Moreover, Sprint may well have to gear up its own balance sheet to finance its \$1.8bn share of the investment. When the venture was originally envisaged, the company was hoping to finance its expansion through a \$4.2bn equity injection from

Deutsche Telekom and France Telecom. The snag is that the US government has yet to approve the cash injection because it is concerned that the German and French telecoms markets are still closed - though this week's announcement by Germany of plans to open its market from 1998 may help matters for at least one prospective partner.

Despite such risks, Sprint's expansion drive could bring big rewards. The UK has already shown that there are substantial economies of scope in providing telephone services in combination with cable TV. Meanwhile, Sprint's bet that consumers will prefer to buy their mobile, local and long-distance services from a single supplier looks sound.

Gilts

The Bank of England may have been slow to appreciate the need to modernise the gilt market, but it is now a big enthusiast for reform. Yesterday's announcement of rules for the new gilt "repo" market takes this shift one step further.

The bank has adopted a liberal approach, which will allow investors and intermediaries to lend each other gilts freely. By making gilts more attractive as an investment, the bank should be able to shave a little bit off the government's future funding costs - though some of the more excited estimates of how much could be saved should be taken with a pinch of salt given that the funding programme is tailing off as the budget deficit falls.

Further changes to the gilt market are in the pipeline. The bank seems likely to issue more index-linked stock. That should be a good way of reducing government funding costs: provided the bank can keep to its counter-inflation policy, paying investors interest of 84 per cent to buy conventional gilts is crazy.

If only the London Stock Exchange would take a leaf out of the bank's book and embark on similar modernisation of the equity market. The Office of Fair Trading has recently pointed to a raft of practices that need reforming - including restrictions on stock-borrowing and the multiple privileges enjoyed by market makers. If modernisation of the gilt market can reduce the government's funding costs by making it more attractive to investors, modernising the equity market could similarly cut industry's cost of capital.

Manila to sue airline chief for \$1bn in unpaid taxes

By Edward Luce in Manila

The government of President Fidel Ramos yesterday said it would sue the chairman of Philippine Airlines for \$1bn in unpaid taxes after failing to resolve a row over a rescue plan for the ailing national carrier.

The move came as the government instructed its representatives on the board of PAL to veto a proposal by Mr Lucio Tan, the chairman, to inject \$400m into the loss-making airline.

The government has been fighting a running battle over PAL with Mr Tan, who is believed to be the Philippines' richest businessman. Mr Tan rose to prominence through a close association with former president Ferdinand Marcos, under whose regime he acquired lucrative rights to the tobacco monopoly. He is chairman and majority owner of PR Holdings, which controls 67 per cent of PAL and includes several government-owned banks as minority

shareholders. He also owns an array of leading Philippine businesses including Fortune Tobacco and Asia Brewery.

The government wants to convert its shares in PR Holdings into direct equity in PAL as a condition for the rescue. But Mr Tan, who owns 50.5 per cent of PR Holdings, fears this would dilute his personal control over the airline.

Successive administrations have striven largely in vain to recover the billions of dollars of taxes left unpaid by companies with close connections to government during the Marcos era.

Mr Ramos has staked his administration's reputation on modernising the country's opaque tax system and enforcing the collection of back taxes.

"The government has wanted Mr Tan's scalp for a long time," a government official said. "If we can succeed in reclaiming at least some of Mr Tan's tax arrears then we could broadcast to the world that the Philippines

will no longer tolerate dubious accounting practices."

In a 90-page petition Mr Raul Goco, the solicitor-general, listed Mr Tan's alleged tax evasions and requested the high court prosecute the businessman. "The tax fraud committed by Tan and his associates is the biggest by far in Philippine history that was uncovered by the Bureau of Internal Revenue," Mr Goco said.

"Fortune Tobacco Company has engaged in fraud by understating its manufacturers' gross selling price through the simple act of selling its cigarette products to fictitious individuals and dummy corporations," the petition stated. Mr Tan was unavailable for comment.

It is widely thought the decision to prosecute Mr Tan is also a government ploy to increase pressure on the PAL chairman to allow state companies greater say in running the airline.

Philippine flag carrier in a nose-dive, Page 8

Brussels set to act against fraud

Continued from Page 1

din, who noted that some member states have as many as 70 definitions of fraud.

The commissioner also expressed dismay that only 4 per cent of money was recovered in fraud cases, and criticised the

system whereby member states can be rewarded with a "bonus" of 30 per cent of money recovered. She said they - not the Commission - were chiefly responsible for preventing and tackling fraud.

Both Mrs Gradin and Mr Erkki Liikanen, the new Finnish bud-

get commissioner, are introducing wide-ranging reforms in financial management in the European Commission aimed at tightening controls and curbing the spending mentality which has held sway inside institutions since the founding of the EU in 1957.

The Commission has prepared a list of possible measures the EU could take against Canada should the dispute worsen.

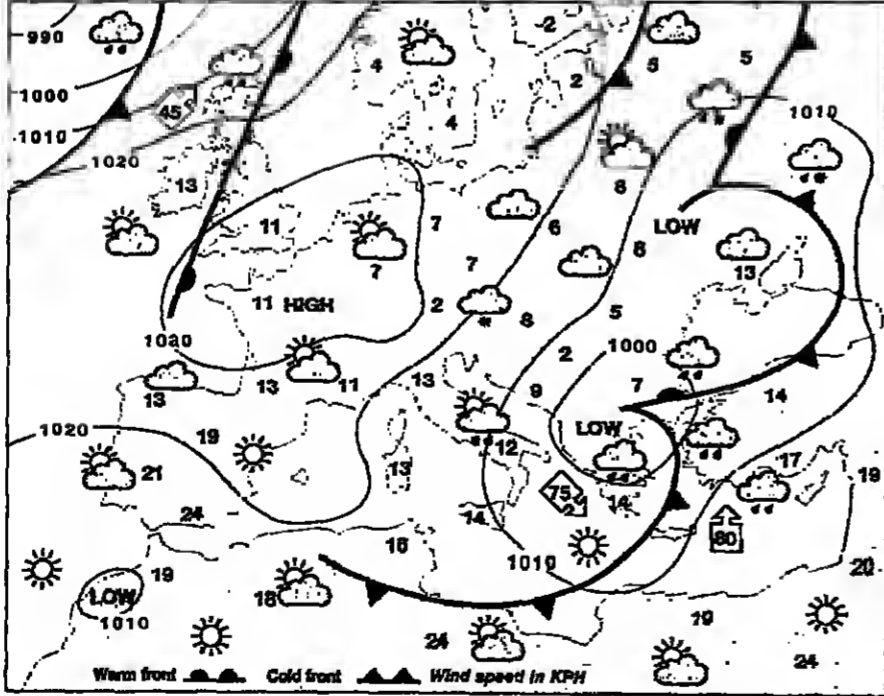
FT WEATHER GUIDE

Europe today

Snow showers in the North Sea will end and most of western Europe will be settled with sunny spells. Temperatures will rise considerably after a morning of widespread light frost but southern France will have a strong Mistral producing blizzards in the southern Alps. Britain will continue mild but there will be more cloud and some drizzle in northern Ireland and Scotland. The Norwegian coast and the Balkans will be wet and stormy with snow on higher ground. It will be unseasonably cool from Finland to Greece with widespread frost and variable cloud.

Five-day forecast

The unsettled conditions will shift towards the Black Sea on Friday before creeping northwards into Russia during Saturday. France and the southern UK will, in general, be rather warm and sunny. The Alps will start to become spring-like on Saturday. A strong westerly air flow will shift south-west during the weekend, spreading unsettled conditions from Scandinavia across central and north-eastern Europe.



Situation at 12 GMT. Temperatures maximum for day. Winds by Meteo Consult at the Netherlands

TODAY'S TEMPERATURES

Location	Max	Min	Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	31	27	Beijing	14	2	Caracas	29	14	Faro	18	10
Accra	31	27	Belgrade	12	0	Cardiff	12	0	Frankfurt	18	10
Algiers	18	8	Berlin	1	-1	Casablanca	18	8	Geneva	18	10
Amsterdam	18	8	Bombay	28	16	Chicago	10	-2	Gibraltar	18	10
Athens	18	8	Buenos Aires	21	9	Cologne	7	-1	Guangzhou	22	10
Bahia	21	9	Calcutta	28	16	Dakar	24	12	Hamburg	18	10
Bangkok	28	16	Chengdu	18	6	Dallas	14	2	Heidelberg	18	10
Batavia	28	16	Chongqing	18	6	Dhaka	24	12	Hong Kong	22	10
Bombay	28	16	Dubai	24	12	Dubai	24	12	Honolulu	22	10
Buenos Aires	21	9	Dubrovnik	18	6	Dubrovnik	18	6	Istanbul	18	10
Buenos Aires	21	9	Edinburgh	12	0	Edinburgh	12	0	Jakarta	28	16
Buenos Aires	21	9	London	12	0	London	12	0	Jersey	18	10
Buenos Aires	21	9	Madrid	18	10	Madrid	18	10	Karachi	28	16
Buenos Aires	21	9	Moscow	18	10	Moscow	18	10	Kuala Lumpur	28	16
Buenos Aires	21	9	Nairobi	22	10	Nairobi	22	10	Lima	22	10
Buenos Aires	21	9	Paris	18	10	Paris	18	10	Los Angeles	18	10
Buenos Aires	21	9	Peking	18	10	Peking	18	10	Las Palmas	18	10
Buenos Aires	21	9	Rangoon	28	16	Rangoon	28	16	London	12	0
Buenos Aires	21	9	Reykjavik	12	0	Reykjavik	12	0	Luxembourg	12	0
Buenos Aires	21	9	Rome	18	10	Rome	18	10	Lyon	12	0
Buenos Aires	21	9	Sao Paulo	22	10	Sao Paulo	22	10	Madeira	12	0
Buenos Aires	21	9	Singapore	28	16	Singapore	28	16			
Buenos Aires	21	9	Stockholm	12	0	Stockholm	12	0			
Buenos Aires	21	9	Taipei	22	10	Taipei	22	10			
Buenos Aires	21	9	Tokyo	18	10	Tokyo	18	10			
Buenos Aires	21	9	Toronto	12	0	Toronto	12	0			
Buenos Aires	21	9	Ulaanbaatar	12	0	Ulaanbaatar	12	0			
Buenos Aires	21	9	Vancouver	12	0	Vancouver	12	0			
Buenos Aires	21	9	Warsaw	12	0	Warsaw	12	0			
Buenos Aires	21	9	Wellington	12	0	Wellington	12	0			
Buenos Aires	21	9	Winnipeg	12	0	Winnipeg	12	0			
Buenos Aires	21	9	Zurich	12	0	Zurich	12	0			

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Hotel Meurice, 228 rue de Rivoli.
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London Business School, Sussex Place, NW1.

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Masters Degree Programme in Finance

FT 3041

London Business School

INTERNATIONAL COMPANIES AND FINANCE

BASF falls short of return target as profits surge

By Jenny Luesby
in Ludwigshafen

BASF, the German chemicals group, yesterday said a 100 per cent increase in pre-tax profits last year had produced an inadequate return on investment.

Presenting the company's annual results, Mr Jürgen Strube said the company's return on investment before taxes rose to 6.5 per cent last year, from 3.9 per cent the previous year. However, this was still short of the company's target of 10 per cent.

Last year's results were burdened, however, by net extraordinary items of some DM600m (\$51m). These were heaviest in north America where restructuring costs, and a writedown of DM535m, principally due to lower earnings expectation in the fibres business, brought net charges of DM700m.

However, while fibres and plastics only broke even last year, in spite of substantial price rises in plastics, the chemicals business reported a sharp rise in profits on the back of the cyclical upturn.

A 73 per cent rise in operating profit on sales growth of 20.7 per cent, saw chemical margins rise to just over 20 per cent, and generated DM552m of

the DM1.1bn increase in total operating profit. Dyes and pigments also recorded strong profit growth, while 1993 losses on agricultural products were reversed.

Total pre-tax profit rose from DM1.05bn in 1993 to DM2.11bn last year. Cashflow was also improved, up 30 per cent at DM5.56bn.

Earnings per share, using German accounting standards, rose to DM20.7, from DM9.2 in 1993. Nonetheless, said Mr Strube, chemical prices were still too low, and the company was particularly dissatisfied with the performance of its fertiliser and printing systems businesses.

Margins also remained low, and sales declined in the oil and gas business, as a result of falling prices. BASF expected profits of DM1.00m on its oil and gas business within five years, however, and it was pursuing further expansion in this area.

The consumer products business, which includes pharmaceuticals, reported an operating loss of DM37m, down from a loss of DM17m in 1993. However, this would be improved with the acquisition of Boots Pharmaceuticals, the company said. Mr Strube emphasised that the group's exposure to currency fluctuations had been overestimated by the markets.

FLS Industries ahead at DKr425m for year

By Hilary Barnes
in Copenhagen

FLS Industries, a supplier of cement industry plant, building materials and transport services, increased net profits to DKr425m (\$76m) last year from DKr28m in 1993.

The board proposed restoring the dividend to DKr12 per share (12 per cent) after reducing it to DKr6 for 1993.

Group turnover increased to DKr14.47bn from DKr12.14bn, with part of the increase reflecting structural changes within the group. Profits after

net financial items increased to DKr653m from DKr136m.

A sharp decline in losses at several group subsidiaries, including FLS Aerospace, the UK-based aircraft maintenance group, and FLS MJO, supplier of flue-gas cleansing equipment, and the global economic recovery contributed to the 1994 performance, said the preliminary statement.

F. L. Smith-Fuller Engineering, the Danish American group which manufactures and supplies plant for cement making, made a pre-tax profit of DKr65m, a fall of DKr10m,

Earnings at French bank group climb 15%

By Andrew Jack in Paris

Economic recovery among small French businesses helped lift net profits at Groupe Banques Populaires, the French banking group, 15 per cent to FF1.57bn (\$318m) last year.

While many French banks have struggled to increase their loans over the past year, the group was able to report an increase in new loans of 32 per cent to FF241bn last year. Mr Jacques Delmas-Marsalet, chairman, said the 1994 result was a "double success", reflecting a substantial increase in loans and an improvement in operating profits before provisions. The group reported an increase in total assets of 5.2 per cent to FF463bn and net banking income up 0.7 per cent to FF18.45bn.

Operating profits rose 0.4 per cent to FF5.47bn and provisions fell 9.5 per cent to FF2.77bn.

Mr Delmas-Marsalet said that recovery of investment and the demand for new loans from small businesses had helped the bank emerge from the recession more quickly than a number of its competitors. He added that the group had correspondingly suffered earlier than others at the start of France's economic downturn.

Total deposits from customers rose 11.8 per cent to FF276bn. The group maintained its productivity, with the ratio of costs and depreciation against banking income stable at 70.4 per cent.

At 10.5 per cent, the group was also able to maintain its solvability well above the European minimum ratio of 8 per cent.

The group predicted that its 1995 profits would be "in line" with those of 1994, as a result of better economic conditions. Separately, Credit National, the French banking group, reported an 80 per cent decline in net group profits to FF67m, compared with FF350m in 1993.

The company recommended a dividend of FF12 a share against FF12 in 1993.

IMI stake may be sold to core shareholders

By Andrew Hill in Milan

The Italian treasury may not need to offer any of its remaining shares in IMI, the Italian banking and financial services group, to the public, the company's chairman said yesterday.

Mr Luigi Arcuti claimed there was so much interest in the government's 28 per cent stake that it could probably be sold direct to a core of professional investors, including other banks.

IMI yesterday announced a

net profit for the group of L561bn (\$324m) for the calendar year 1994, against a profit of L560bn for 1993, adjusted for accounting changes. The bank said the directly comparable figure for 1993 was L623bn, which excludes provisions for general banking risks. The company had already recommended an unchanged dividend of L400 a share for 1994.

Last year, the Italian treasury sold off just over half its majority stake in IMI through a public offer. Mr Lamberto Dini, Italy's prime minister,

confirmed on Monday that the treasury was seeking to place most of the rest of its holding with a core group of shareholders and that outstanding shares would be sold through another public offer.

However, IMI's main banking shareholders - Cariplo, the Milan savings bank, Istituto Bancario San Paolo di Torino, and Monte dei Paschi di Siena - already aim to increase their existing stakes in IMI to 10 per cent each, and Mr Arcuti said there was also strong interest from other banks

and industrial investors.

The final decision will be taken by the treasury, and Mr Arcuti played down suggestions that IMI might consider taking on banking assets from potential shareholders in "exchange" for an increased stake. IMI is itself seeking a role in forthcoming self-offs, such as the sale of the government's majority stake in Stet, the telecoms holding company.

Separately, Credito Italiano (Credito, the Milan-based bank, and National Westminster, the UK banking group, have

agreed the sale of their combined 37 per cent stake in Credito e dei Comuni Vesuviani, a small Milan-based bank. Credito Italiano said that Credito Emiliano, a growing privately owned Italian banking group, had agreed to pay L11.727 a share for Credito, valuing Credito's 68 per cent stake at L126bn. NatWest said it would receive L12.9m (\$20.64m) for its 19.2 per cent stake taking a 55m profit. Credito Emiliano will be obliged to launch a formal bid for the outstanding shares.

Emerging markets hit Morgan Grenfell

By Nicholas Denton

The decline in emerging market debt markets depressed last year's profits at Morgan Grenfell, the London investment bank owned by Deutsche Bank of Germany.

Pre-tax profits fell by nearly 34 per cent to a little over £150m (\$240m) in 1994, said Deutsche Bank.

Morgan Grenfell did not provide details of its results itself, in advance of its own announcement today. However,

it is believed the deterioration is accounted for by debt arbitrage and trading, and treasury activities, which provided a third of revenues in 1993, but suffered in 1994 from rising interest rates.

The steepest decline in profits came in emerging market operations, which Morgan Grenfell has built up by recruiting debt specialists from Libra Bank, a specialist in Latin American debt, and an equity team from James Capel, the UK stockbroker.

The investment bank still contributed DM300m (\$214m) to Deutsche Bank's own-account trading results. Mr Juergen Krumnow, a board member of Deutsche Bank told Reuters.

Other divisions of Morgan Grenfell, such as corporate finance, are understood to have maintained or improved upon their performance in 1993. Executives believe pre-tax profits are on a steadily rising trend, interrupted only by the market surge in 1993 and a correction in 1994.

Morgan Grenfell and its parent's investment banking business are merging five years after Deutsche Bank bought the UK merchant bank at a cost of £500m. However, Mr John Craven, Morgan Grenfell's chairman, said the process would continue to be one of "evolutionary change".

He saw no immediate need for a change in their legal status. Ten working groups combining executives from both Morgan Grenfell and its parent are resolving 18 merger issues.

Deutsche Bank sets up 24-hour operation

By Andrew Fisher in Frankfurt

Deutsche Bank has joined the intensifying competition in Germany to attract customers looking for cheaper, quicker service by setting up the country's first comprehensive 24-hour, seven-day a week banking operation to start operations this autumn.

Called Bank 24, Mr Hilmar Kopper, chairman of Deutsche Bank, said it would be aimed at younger customers "and

anyone who has remained young".

Access will be by telephone, fax and personal computer and a full range of current, savings and investment accounts will be offered, along with discount brokerage and credit services. A full range of financial services will eventually be offered.

Like Comdirect, the recently announced direct bank of rival Commerzbank, which has already started operations, the

new Deutsche Bank venture aims to tap the 15 per cent or so of banking customers whom studies have shown are likely to be attracted by such convenient low-cost services. Mr Kopper said Bank 24 should have up to 300,000 customers in four years, of whom no more than 20 per cent would be people switching from the main bank.

He said the cost of some services would be half that at the parent bank. Bank 24 will be

run separately, with its own management and staffing structure. It will be based in Bonn, no longer the capital but still the seat of government, because part-time staff availability is plentiful. Its share capital will be DM150m (\$86m) and the new bank will employ between 500 and 600 people.

Mr Kopper said Bank 24 might later be introduced in Italy, Spain and Portugal where Deutsche Bank has local operations.

NCC resumes dividends as sector picks up

By Christopher Brown-Humes
in Stockholm

The first signs of an easing in the deep recession in the Swedish building sector emerged yesterday when NCC, the country's second largest construction group, reported a big increase in profits and a resumption in dividends.

The market upturn was reflected in a near 20 per cent rise in the group's construction orders in 1994 after an unprecedented collapse in activity during the last three years.

Many signs indicate that we are entering a period of increased building activity lasting up until the end of the century," said Mr Jan Sjöqvist.

NCC president. However, he warned that progress would depend on Sweden's efforts to control fast-rising debt and reduce interest rates.

NCC reported profits after financial items of SKr953m (\$131m) for 1994, against SKr175m a year earlier.

The main influence was the sale of the group's 22.5 per cent

stake in Avesta Sheffield, the Anglo-Swedish stainless steel producer, which yielded a SKr1.2bn capital gain. Excluding one-off items and revised real estate valuations, profits improved to SKr184m from SKr33m despite a fall in sales to SKr16.5bn from SKr17.6bn.

It is proposing a SKr1 a share dividend.

Tractebel improves to BFr10.7bn

By Caroline Southey
in Brussels

Net profits at Tractebel, the Belgian energy and civil engineering group, rose from BFr9.91bn to BFr10.7bn (\$51m) in the year to December 31.

Improved performances in the group's seven divisions helped push up turnover from BFr285bn to BFr298bn. A 9 per cent increase in electricity use by the group's industrial customers boosted the electricity operation.

Contributions from Tractebel's divisions other than electricity, including engineering, natural gas, communications, water and property represented 28 per cent of total profits against 26 per cent last time and 15 per cent in 1992.

"The increase in the share of the results from these activities corresponds to the objectives which the group has set itself," the company said. It wants to reduce the contribution of its Belgian electricity activities to 60 per cent of the total.

Tractebel has been increasing its international activities. A technical agreement signed with SEP, the Dutch power company, allows the groups to call on each other's reserve generating capacities.

"This will enable both countries to cut down their reserve capacities, while maintaining the present quality of service," Tractebel said.

The board will propose a net dividend of BFr355, up from BFr340 last time.



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TOTAL REPORTS HIGHER 1994 NET INCOME AND INCREASES DIVIDEND

The Board of Directors of TOTAL met on March 28 to review the consolidated financial statements for the year ended December 31, 1994 and to close the accounts of the TOTAL SA parent company.

CONSOLIDATED RESULTS

Consolidated results were in line with the estimates released by the Board of Directors after its last meeting on January 31.

In millions of French Francs (FF)	1994	1993
Sales	136,743	135,478
Cash flow	12,272	11,355
Consolidated net income	3,728	3,195
Net income after minority interest	3,385	2,905
Earnings per share (in French Francs)	14.6	13.5

These results were achieved in an unfavourable environment where the oil price, the dollar exchange rate and the European refining margins were all lower than in 1993. The combined impact of these factors, which amounted to more than double the exceptional inventory loss of 1993, were compensated by the internal measures undertaken by TOTAL - increased production levels of the upstream sector and productivity gains.

Sales rose slightly over the period. Oil and gas output increased by more than 4% to 633,000 bbl/d barrel oil equivalent per day (from 600,000 bbl/d in 1993) while reserves rose by 6% to 4,303 million bbl from 4,090 million bbl in 1993. Refinery throughput advanced by 3% to 855,000 bbl while refined product sales rose 4% to 1,251,000 bbl.

Operating income in 1994 was slightly higher than in 1993. Operating income in 1993 was however negatively affected by an exceptional FF 864 million inventory loss.

In millions of French Francs (FF)	1994	1993
Exploration and Production	2,389	2,162
Trading and Middle East	701	745
Refining and Marketing	2,250	2,488
Chemicals	1,665	1,436
TOTAL	7,005	6,831

The Exploration and Production segment increased its operating income by 10% despite the decline in oil prices from \$17.00/bbl to \$15.80/bbl and the weaker dollar which averaged FF 5.55 in 1994 versus FF 5.96 in 1993. Growth in operating income was driven by cost reductions and by a 12% increase in output to 345,000 bbl/d including 134,000 bbl/d of oil and 1,164 Mcfd of gas with, in particular, the start-up of operations on Cusiana Phase 11 in Colombia, Dunbar in the North Sea, and rising production from the Bongkok field in Thailand. The increase in production is in line with the Group's objective to double production outside the Middle East between 1990 and 2000.

Non-Middle East reserves advanced by 9%, close to previous years' performance, to more than two billion barrels (2,013 million bbl). Most of the increase came from reserve additions in Indonesia and Argentina.

The Trading and Middle East segment's 1994 operating income was slightly lower than in 1993 due to depressed

freight rates. Oil production in the Middle East amounted to 287,000 bbl/d in 1994, 4% less than the previous year. The Group's participation in gas projects in Qatar and Abu Dhabi lifted Middle East reserves by 4% to 2,288 million bbl.

In the Refining and Marketing segment, operating income was depressed by the sharp contraction in refining margins in Europe and the United States. European margins narrowed from \$2.50/bbl in 1993 to \$1.80/bbl in 1994, leading the European refining business to record an operating loss. The other businesses performed well:

- operating income from European marketing held steady at a good level;
- the Group's overseas subsidiaries and special products businesses increased their operating income.

Operating income from the Chemicals business rose by 16%, despite narrower margins resulting from a strong rise in raw materials prices. Growth in operating income was driven by an 8% increase in sales from FF 18.4 billion to FF 19.9 billion and further productivity enhancement measures in all of the segment's divisions.

No non-recurring items were booked in 1994 to reflect events such as changes in accounting methods, termination of business, or restructuring. In 1993, non-recurring expenses amounted to FF 177 million. Minority interest came to FF 343 million in 1994 compared with FF 250 million in 1993.

Gross investments amounted to FF 13,637 million in 1994 versus FF 18,430 million in 1993. The 1993 figure includes FF 2,563 million in equity investments. The level of expenditure in 1994 reflects the Group's commitment to pursuing its expansion strategy while adapting to the volatile business environment. Dispositions totalled FF 3,929 million in 1994 versus FF 5,160 in 1993.

Consolidated shareholders' equity including minority interests amounted to FF 55.7 billion at year-end 1994 compared to FF 55.1 billion at year-end 1993. The debt-to-equity ratio stood at 22% at December 31, 1994.

TOTAL SA RESULTS AND PROPOSED DIVIDEND

The TOTAL SA parent company earned net income of FF 2,600 million in 1994, versus FF 3,509 million in 1993.

After closing the parent company accounts, the Board of Directors agreed to ask shareholders at the General Meeting next May 31 to approve a dividend of FF 8.00 compared with FF 7.50 in 1993, plus the associated tax credit of FF 4.00. The Board will also ask shareholders to renew the option for the shareholder to choose between a dividend payment in cash or in shares.

The share will be traded ex-dividend as of June 6th, 1995, with request to dividend for the year 1994.

The option with respect to the payment of the dividend in shares can be exercised from June 6th through June 30th, 1995.

The payment of the dividend in cash will occur on July 21st, 1995.



TOUR TOTAL, 24 Cours Michéle, Cedex 47, 92069 Paris la Defense, France.

INTERNATIONAL COMPANIES AND FINANCE

C&W in talks over stake in Indonesian telecoms

By Michael Lindemann in Jakarta

Cable & Wireless, the UK-based telecommunications group, may still be able to take a stake in Satelindo, the Indonesian satellite communications group.

Earlier this month it was announced that DeTeMobil, the mobile communications subsidiary of Deutsche Telekom, had won a 25 per cent share in Satelindo after a fierce battle which saw C&W's bid of \$550m rejected at the last moment.

But Deutsche Telekom now says there is a "good chance" that it will sell half its stake to C&W.

DeTeMobil paid \$569m and a further \$20m in software, but its argument that its 950,000 customers in Germany represent the largest GSM (global system for mobile communications) mobile phone network in the world must have helped to persuade the Indonesians.

The UK company, while declining to comment on the possibility of a deal with Deutsche Telekom, confirmed this week that it was in discussions with the German group.

Satelindo, which was formed two years ago, is partly owned by Telkom, the state-controlled Indonesian operator.

Deutsche Telekom fought hard to win the Satelindo

stake, but may yet be prepared to share its prize with a rival.

C&W has substantial telecommunications interests in the Asia-Pacific region, centred on Hong Kong, and is an experienced operator in the region.

The UK group has extensive technical experience both of satellites and of mobile phones using the GSM standard which will be deployed in Indonesia. C&W also has broad international experience, which Deutsche Telekom has yet to acquire.

With a population of 190m, served by only 3m telephone lines, Indonesia is the largest market in the world so far opened to mobile communications based on GSM.

Satelindo three existing shareholders will dilute their holdings to accommodate Deutsche Telekom and C&W.

Bimagraha Telekomindo, run by President Suharto's family, will be left with 45 per cent of Satelindo, while Telkom and Indosat, two other state-owned telecommunications companies, will hold 22.5 per cent and 7.5 per cent respectively.

Indonesia's 13,000 islands make it very difficult to build a nationwide terrestrial network, so the government has put greater emphasis on GSM mobile communications, where underground cables are replaced by strategically placed base stations.

Since it began GSM

operations in December, Satelindo has signed up about 15,000 customers.

The company plans to invest around DM1.8bn (\$1.28bn) to build a network which, it hopes, will have 1.5m clients by 2004, according to Mr Lothar Hunsel, DeTeMobil chief executive.

Satelindo operates a so-called international gateway - one of the two international codes which can be used to dial out of Indonesia - and runs the Palapa satellite system. About 75 per cent of the company's turnover is expected to be in mobile communications, Mr Hunsel said.

Meanwhile Deutsche Telekom, which has had little international presence, intends to build on its Indonesian success, setting up offices in Singapore and Tokyo from which it hopes to make further inroads into the Asian telecoms market.

It has joined other competitors in bidding to operate one of five new fixed networks which were tendered by the Indonesian government last week.

A decision is expected in the next few months.

Deutsche Telekom also hopes to play a role in India - where there are the first signs of liberalisation in the telecommunications markets - and it is also putting out feelers in Vietnam and the Philippines.

CarnaudMetalBox shapes up to change

Reform programme centres on productivity improvements, says John Ridding

Mr Jürgen Hintz seems surprisingly animated as he wields a metal can to make a point at the Paris headquarters of CarnaudMetalBox. His demeanour reflects the upheaval that he sees at the heart of the packaging industry and which he compares with the transformations faced by carmakers since the 1970s.

For Mr Hintz, CarnaudMetalBox chairman, the ability to respond to an increasingly competitive market is crucial. That response, through more efficient team-based manufacturing, reduced stocks and working capital, and more flexible production plants, will determine which of the European and US packaging concerns gains the edge in the sector.

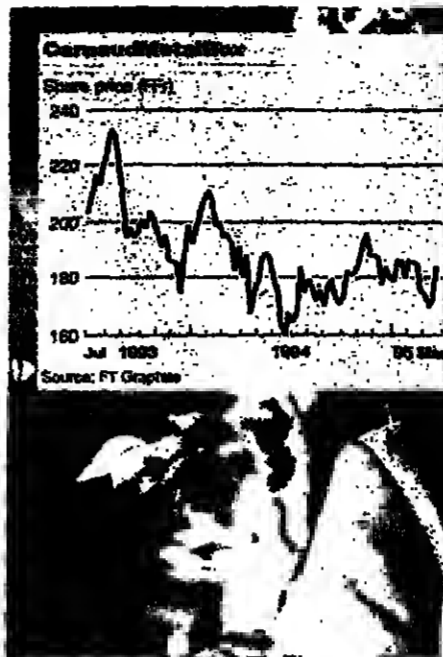
Along with the strategy of restructuring CMB's Eurosteel packaging businesses and expanding into Asia and the healthcare market, it will also help determine whether a rise in profits last year, due to be announced today, marks the start of an enduring rise in earnings and the end of a period of flat or declining results at the Anglo-French group.

Last year's profits, which industry analysts expect to rise to between FF750m (\$104.1m) and FF770m from FF730m in 1993, include benefits of the so-called "world class manufacturing" programme launched by Mr Hintz at the beginning of last year.

The CMB chief cites the example of a Spanish fish-can factory, where sales per employee rose by 36 per cent last year, while stocks and working capital each fell by 30 per cent.

The reforms centre on increasing productivity through more flexible working practices. After arriving at the head of CMB at the end of 1991, Mr Hintz says he did not discover the Anglo-French management ructions which many had blamed for the poor performance of the merged Carnaud and Metal Box groups. What he did find, was a need to upgrade manufacturing standards.

This, and the increasing demands from clients for a quicker response, higher



quality and involvement in design, prompted change. As Mr Hintz puts it: "If the old system was like an army, with officers passing orders down, the new system is that you recruit, train and develop people on the factory floor who see their job as improving the process."

The CMB chief says the company is training 500 managers and engineers to implement and monitor productivity programmes at the company's 190 plants. Specific measures are decided at plant level, but centre on four areas: reduction of working capital, labour costs, spoiled products and non-quality costs.

This may sound like so much management-speak. But industry analysts see significant benefits. "It is an important motivational force," says a packaging industry analyst at one French merchant bank. "It appears to have improved efficiency," says Ms Michelle Evans at James Capel, pointing to a 10 per cent rise in productivity in the first half of last year.

Such reforms, however, are only part of the group's strategy. Mr Hintz has outlined two areas of expansion - in Asia, and in the health and

beauty products sector - where he is seeking growth through acquisitions and investments.

The logic is straightforward. In Asia, CMB, like most other international packaging groups, is drawn by demographic and economic trends. "At the moment I am building five factories in Asia and pushing hard in China," says Mr Hintz.

In the beauty and health sector, the potential lies in the structure of the market as well as its growth rate. Although dominated by international producers, the packaging side of the business remains fragmented. "Over the next decade there will be significant rationalisation in this area," says Mr Hintz. "We should be well placed to capitalise."

But it is easier said than done. Players in the sector remain wary of being gobbled up by the industry giants. Last September, CMB was forced to pull out of a proposed merger with Wheaton, following concerns among some shareholders in the private US group about their level of control in the proposed joint venture.

The ride has also been

than we were in 1992. We can better resist such disruption," he says.

In doing so, CMB should receive some help from the markets. After a sharp and protracted slump in France and Germany, Mr Hintz believes that signs of improvement, albeit tentative, are emerging. "We have seen some pick-up in France since the last quarter of 1994, but if you look at the whole year demand was still weak."

Results should be lifted by improved margins at Eurosteel and from the impact of higher value-added products. Increased volumes in its beverage cans business and lower tax charges should also help the bottom line. As for the markets in the current year, Mr Hintz is guarded. "It is not clear yet how 1995 will go. The industry is certainly not firing on all cylinders."

In spite of such caution, Mr Hintz rejects the idea that packaging is a defensive sector. One reason is the geographic opportunities in new markets.

Also important, he says, is the scope for innovation and technological change in established markets.

To prove his point he wields his metal can, which is opened by a ring pull but which is strong enough to withstand extremes of heat and pressure. "We worked with steel companies to develop the materials we needed and with clients to establish the design requirements. The scoring required needs to be measured in microns," he says.

The success of CMB's strategies will be measured in francs, at the bottom line. Most analysts believe improved efficiency, new products and stronger markets should enable continued growth, albeit at a steady, rather than spectacular rate.

Mr Hintz appears to agree. "The effect of what we are doing is progressive. The first few years you are training people and getting things moving, then it gathers speed," he says.

"Like in the car industry, these fundamental changes take time. But there are very attractive returns to be made."

Kaufhof sees store and travel units depressing annual results

By Andrew Fisher in Frankfurt

Kaufhof, the German retailing group which last week announced a change of chairman, said profits in 1994 would be much lower than the previous year because of poorer results in its department store and travel divisions.

Although it gave no reason for the departure of Mr Jens Odewald as chairman and his replacement by Mr Wolfgang Urban, the store and tourism activities were thought by analysts to be at the centre of the decision. While Mr Odewald

had initiated a successful diversification into specialist retailing, the department store sector has been a lacklustre performer.

Last year, department store turnover was 8.6 per cent lower at DM6.3bn (\$4.5bn). Tourism turnover was 2.5 per cent higher at DM3bn, but made a loss. The specialty outlets, including entertainment electronics, computers and shoes, turned in a higher profit after a 22 per cent rise in turnover to DM5.9bn, but this was not enough to offset the decline elsewhere.

Total turnover was 20 per cent higher at DM26.5bn. This excluded the Kiwi travel company in which Kaufhof sold its 50 per cent stake to Swiss business interests in February. The company has also sold its ITS travel business to Rewe, the German food chain.

Kaufhof made a net profit of DM240m in 1993, up 7 per cent from the previous year.

Last year, however, slack consumer spending affected its department stores. Analysts feel Mr Urban's promotion to chairman reflects his experience in that sector.

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INTERNATIONAL COMPANIES AND FINANCE

Clark Equipment shares jump 50% on bid news

By Richard Waters in New York

Shares in Clark Equipment, the US machinery manufacturer, jumped more than 50 per cent yesterday morning on news that it had been the subject of a takeover approach.

Ingersoll-Rand, its bigger rival, disclosed an interest in the New Jersey-based maker of construction equipment late on Tuesday. However, its offer to pay \$1.3bn in cash was rejected by Clark as "entirely inadequate".

A takeover would create a broad industrial equipment and machinery group with combined turnover of \$5.5bn, nearly half of it outside the US. The combination would strengthen the two companies' activities in both US and inter-

national markets, according to Mr. Leo McKernan, Ingersoll chairman and chief executive.

Clark makes small and medium-sized equipment, much of it for road construction. Its products would complement Ingersoll's broad range of equipment, from compressors to pumps and bearings.

Demand in the US for construction equipment is generally seen as past its cyclical peak following the recent round of US interest rate increases, which has depressed the shares of companies in the sector, even as their profits continue to rise. Clark's stock had slipped to \$53 before the bid approach, from more than \$70 five months ago.

Partly as a result, US equipment and machinery manufacturers have turned to markets

overseas. Some \$1.9bn of Ingersoll's \$4.5bn sales last year were outside the US, while Clark generated half its \$946m of revenues in international markets.

Ingersoll revealed it had made a takeover approach to Clark on March 15. The offer was rejected by Clark's board at a meeting on Monday, prompting Ingersoll to go public with its interest in the hope of putting pressure on the company to reconsider.

Ingersoll said it was prepared to pay \$75 a share for Clark, and might increase its offer to \$77 a share if Clark's directors made a strong case for the higher price. Yesterday morning, Clark's shares rose 52% to \$81 as the stock market anticipated a higher bid for the company.

Former SAS chief to head new Nordic tour group

By Christopher Brown-Humes in Stockholm

Mr Jan Carlzon, the former chief executive of Scandinavian Airlines System (SAS), yesterday agreed to head a new Nordic airline and tour group which includes SAS's main Swedish rival.

He will become chairman of Transpool, an umbrella group for Transwade, Sweden's second-largest airline after SAS, and Norpool, the biggest Nordic tour operator.

Mr Carlzon resigned from SAS in 1993, shortly before the airline's plans to merge with three other European airlines - KLM Royal Dutch Airlines, Swissair and Austrian Air - in the so-called Alcazar project collapsed.

He stressed yesterday that the new company would not compete head-on with SAS, although Transwade's scheduled air traffic does operate alongside SAS on some routes.

"Our primary aim is to get an effective collaboration between Transwade's charter operations and the tour operator," said Mr Carlzon. SAS last year sold its own tour operation, SAS Leisure, to the British group Airturn.

Transpool will employ 2,500 people and have an annual turnover of \$1.6bn (\$860.5m).

Half of the company will be held by Nordic Capital, an investment group, after a loan is converted to shares next year. The remainder will be split equally between Volvo, the motor vehicle manufacturer, and Sweden's F&F co-operative group. Volvo a 30% stake at present jointly own 100 per cent of Transwade and Norpool, but both have been keen to reduce their holdings to focus on core business.

Transwade has been hit by recession and fierce competition and last year suffered a \$1.3bn deficit, mainly due to restructuring and redundancy costs. The airline will focus mainly on charter airlines but will continue to operate its profitable scheduled air routes, which include a link between Stockholm and London Gatwick.

US telecoms group to invest \$4.4bn

By Tony Jackson in New York

The US telecoms consortium formed last October by Sprint, the long distance telephone company, and three cable-TV operators, is to invest \$4.4bn in cash in the venture over the next three years.

Of that, \$2.1bn has already been committed for mobile phone licences in the recently completed auction by the US government, in which the Sprint consortium was the heaviest spender.

The four companies - Sprint, Tele-Communications Inc.

Comcast and Cox - said they had signed a definitive agreement to provide wired local telephony, in addition to their wireless venture. This will provide broadband digital telephony through the cable companies' existing structure.

The companies said the combined wired and wireless venture, which will be based in Kansas City, will be headed by Mr Ronald LeMay, the present chief executive of Sprint's long distance operation. He will be replaced by Mr Gary Forsee, who was interim head of the new venture and took charge

of its bidding in the auction.

The partners said \$500m of the proposed \$4.4bn equity investment had already been paid to the Federal Communications Commission as down payment for mobile licences. The venture won 29 licences including New York, and claims a coverage of 182m people.

As previously reported, the venture will also include Teleport Communications, a joint venture between the three cable companies and a fourth, Continental Cablevision. Teleport runs specialised phone

services for businesses in 37 US markets. Its inclusion in the venture was still subject to Continental's consent, the partners said.

The venture, which aims to add multimedia services to basic telephony, is entering an increasingly crowded field. AT&T, the largest US long-distance phone company, last year bought the largest US mobile phone company, McCaw, for \$11.5bn.

Other big media companies such as Time Warner also aim to combine cable with fixed and mobile telephony.

Bear Stearns quits Frankfurt

By Maggie Urry in New York

Bear Stearns, the US investment bank, is to close its operation in Frankfurt at the end of June as part of a "strategic restructuring" of its international activities.

Operations of the Frankfurt office would be consolidated into the larger London office. This would "maximise client coverage and internal efficiencies," the firm said.

The main activity of the Frankfurt office was institu-

tional equity sales, Bear Stearns said. The German operation was opened in January 1993 when the group obtained a German banking licence, and it later joined the Frankfurt stock exchange.

In its 1994 fact book, Bear Stearns listed the Frankfurt office's activities as including a German equity and warrant sales and trading activity and an international fixed income sales desk. It employed 18 people and covered Austria and the Netherlands as well as Germany. Yesterday Bear

Stearns did not comment on whether jobs would be lost. In common with other Wall Street firms, Bear Stearns has suffered from the fall in fixed income markets around the world.

Salomon Brothers said yesterday it was expanding its investment banking staff in the Asia-Pacific region. The move was "part of our continued commitment to the region" according to Mr Trevor Rowe, head of Salomon's Asia-Pacific and Australasia investment banking activity.

Price of polluting drops in US

By Laurie Morse in Chicago

The cost of contributing to the production of acid rain in the US fell this week as the Chicago Board of Trade conducted the US Environmental Protection Agency's third annual auction of sulphur dioxide pollution allowances.

The average price fetched by the 176,400 allowances sold was \$128 each, compared with \$145 a year ago. Each allowance gives its holder the right to emit one ton of sulphur dioxide.

A North Carolina-based electricity utility, Duke Power and Light, paid \$12m for 93,133 allowances, securing more than half of the offering.

Other utilities and coal companies were also buyers. A surprising number of bids was received from environmental groups, school children and environmental law societies. Although the environmentalists purchased only 52 allowances, most intend to retire them, preventing their use.

The EPA described the auction as a success. However,

prices were so low that only 1,400 allowances offered by private utilities sold. The remaining permits sold were donated to the sale by the EPA and did not have reserve prices.

The auction is part of a long-term programme that aims to reduce sulphur dioxide pollution in the US by 10m tons by 2010. Electric utilities, which cause 70 per cent of US sulphur dioxide emissions, can use the allowances to gain more flexibility in their emission abatement plans.

Petrofina profits advance 44%

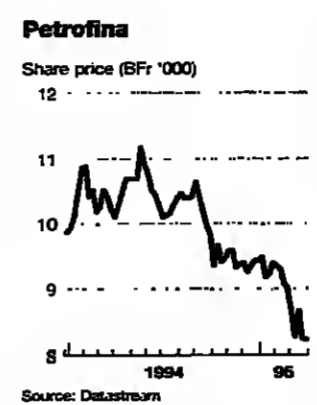
By Emma Tucker in Brussels

Petrofina, the Belgian petrochemicals company, yesterday announced its final 1994 results, showing net profits of Bfr10.2bn (\$354m) and a special dividend payment.

The final result was marginally below the preliminary Bfr10.3bn announced last month, but 44 per cent up on the previous year.

Turnover rose to Bfr580.7bn in 1994, compared with Bfr569bn in 1993, a 3.9 per cent increase. Consolidated cash flow for the company reached Bfr38.4bn last year, up 15.8 per cent on 1993.

The Belgian blue-chip also announced a special dividend supplement to commemorate the company's 75th anniversary.



It said it would pay a "normal" pre-tax dividend of Bfr280 a share, topped up with an extra Bfr40 to mark the occasion, and to "stress the improvement of operational performance".

Parmalat rises 26% to L101bn

By Andrew Hill in Milan

Parmalat, the Italian dairy products and food group, managed another year of strong growth in earnings in 1994, pushing up group profit by 26 per cent to more than L100bn (\$68.7m) for the first time, in spite of difficult economic conditions.

The company yesterday reported net profits of L101bn for the calendar year 1994, against L80bn in 1993. In 1990, Parmalat's annual net profit was L6bn, but international expansion and product diversification have helped

increase its income, making it one of Italy's largest quoted companies.

In 1994, sales rose by 27 per cent to L3,608bn, against L2,845bn the previous year, and operating profit rose to L310bn from L251bn.

Strong growth in foreign markets, particularly in South America and Europe, helped increase sales. However, demand in Italy, which accounts for 55 per cent of the company's turnover, remained slack.

Parmalat has about one-third of the Italian market for long-life milk and is vying for lead-

ership of the yoghurt market.

The group spent L125bn on acquisitions and increased stakes during 1994, and L118bn on technical investments, pushing up group net debt to L899bn by the end of the year. This compares with L842bn at the half-year stage and L829bn at the end of 1993.

Net financial charges reached L101bn, although as a proportion of turnover interest payments were slightly lower than in 1993.

The company said it would approve the final results for a meeting of the board on April 27.

Placer Dome to pay Gold Fields \$30m in settlement

By Bernard Simon in Toronto

Placer Dome, the Vancouver-based gold producer, will pay \$30m to Gold Fields Mining, an affiliate of Hanson, the UK conglomerate, as part of a deal to settle a protracted dispute over the Pipeline gold deposit in Nevada.

In return, Gold Fields has agreed to drop all legal action against Placer and to renounce its claims to the Pipeline deposit.

The settlement removes an important obstacle to plans by Placer and Kennecott Corp, the mining group controlled by the UK's RTZ, to develop a \$150m mine at Pipeline with an estimated output of 200,000 ounces a year. Placer has a 60 per cent stake in the project and Kennecott 40 per cent.

The dispute arose from a 1991 transaction in which Placer bought an option on Gold Fields' claims, covering about 40 per cent of the Pipeline orebody. Gold Fields alleged that Placer concealed encouraging exploration results and trespassed on its property to gain geological information. It is estimated the Gold Fields orebody contains 1.7m ounces of gold.

Gold Fields had sought \$158m in compensation, plus punitive damages and damages for "racketeering", and the right to nullify the 1991 deal.



ISTITUTO MOBILIARE ITALIANO S.p.A.

Address: Viale dell'Arte, 25 Rome, ITALY
Paid-up Share Capital: Lit. 3,000,000,000,000

Inscribed in the Tribunal of Rome no. 10945/91

Inscribed in the Registry of Banks and Parent Company of the IMI Group
Inscribed in the Registry of Banking Groups
Tax Code no. 00448420588; VAT no. 00896201001

The Ordinary and Extraordinary Parts of the Annual General Meeting of the Shareholders of Istituto Mobiliare Italiano S.p.A. is convened, for the first call, for Saturday, 29 April 1995, at the hour of 10:00 am (and for the second call for Wednesday, 3 May 1995, at the hour of 10:00 am) in Rome at the Company's Headquarters, Viale dell'Arte, 25 (EUR), to discuss and deliberate upon the following:

Agenda

ORDINARY PART

1. Approval of the Financial Statements for the year ended December 31, 1994, the reports of the Board of Directors and the Board of Statutory Auditors, the distribution of Net Profit and resolutions related to the above: Consolidated Financial Statements of the IMI Group at December 31, 1994.
2. Determination of the number of members of the Board of Directors, their nomination and determination of their relative remuneration.
3. Renewal of the authorisation to purchase and sell the Company's shares.

EXTRAORDINARY PART

1. Modification of Article 10 of the Company's Statutes in conformity to the current rules concerning the exercise of a shareholder's right to vote by correspondence.
2. Modification of Articles 14, 15 and 28 of the Company's Statutes (insertion of voting by list for the nomination of the Board of Directors and the Board of Statutory Auditors), Article 25 of the Company's Statutes (legal representation) as well as Article 4 of the Company's Statutes (change of reference legislation).
3. Approval of the proposed merger by incorporation into Istituto Mobiliare Italiano S.p.A. of two subsidiaries, SIGE S.p.A. and SIGE Investimenti S.p.A., and the delegation of any powers necessary to carry out such transactions.

Shareholders desiring to participate in the Annual General Meeting must deposit their Ordinary Shares at least five (5) days before the date of the Meeting at the headquarters of IMI S.p.A. in Rome, Viale dell'Arte 25, or with one of the following designated institutions:

Banca Commerciale Italiana, Credito Italiano, Banca Nazionale del Lavoro, Cariplo, Istituto Bancario S. Paolo di Torino, Monte dei Paschi di Siena, Banco di Napoli, Banca di Roma, Banca Cassa di Risparmio di Torino, Credito Romagnolo, Banca Fideuram, Monte Titoli (for the shares administered by it).

The right to vote may be exercised also by correspondence according to the "Regulation concerning the conditions and modality to exercise the right to vote by correspondence", issued jointly, with immediate effect, on December 30, 1994 by the Bank of Italy, CONSOB, and ISVAP, and published in the *Gazzetta Ufficiale* (Official Gazette) on January 5, 1995, no. 4 (general series).

The proxy ballots (to vote by correspondence), attached to which are the proposals formulated by the Board of Directors, as well as the documentation and reports relative to Points 2 and 3 of the Ordinary Part and to Points 1, 2 and 3 of the Extraordinary Part will be on deposit from the date of publication of this notice until the date of the Annual General Meeting at the Company's Headquarters and the main offices of the designated institutions. The documentation and report relative to Point 1 of the Ordinary Part will be available at the Company's Headquarters and the main offices of the above-mentioned designated institutions starting from April 14 until the date of the Annual General Meeting.

The proxy ballots together with the admission tickets to the Annual General Meeting must be presented or delivered to the Secretariat for Statutory Affairs of IMI S.p.A. - Viale dell'Arte, 25 00144 Rome, Italy by April 26, 1995.

Proxy ballots received by the Company after the above deadline or not accompanied by an admission ticket will not be taken into consideration for the constitution of a quorum nor in the calculations relative to voting at the Annual General Meeting.

Unsigned proxy ballots received by the Company will not be taken into consideration in the calculations relative to voting at the Annual General Meeting.

Board of Directors

In order to facilitate the preliminary operations (identification and admission of shareholders), Shareholders are kindly requested to present themselves before the time that the Annual General Meeting is scheduled to begin. For further information please call the Office of Investor Relations, (39 6) 5959.3789

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Notes are to be issued in the form of a
principal amount of £144,000,000
and will be secured by a first charge
on the assets of the issuer pursuant to
the terms of the relevant prospectus
dated 15th April 1995. The principal amount
standing on 15th April 1995 will
be £144,000,000 per Note.

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DECLARATION of 15th March 1995
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distribution will become payable on or
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Less 15% US Withholding Tax 0.1500 Cents

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COMMERZBANK

NOTICE IS HEREBY GIVEN that this year's Annual General Meeting of Commerzbank AG will be held in Hamburg at the Congress Centrum Hamburg (CCH), Am Dammtor, 20355 Hamburg on May 17, 1995, at 10.30 a.m.

AGENDA (abridged version)

1. To consider the Bank's established Annual Accounts, the Report of its Board of Managing Directors on the Bank's Performance, and the Report of its Supervisory Board, together with the Consolidated Annual Accounts and the Group Report, for the year ended December 31, 1994.
2. To resolve on the appropriation of the distributable profit.
3. To approve the actions of the Board of Managing Directors during the financial year 1994.
4. To approve the actions of the Supervisory Board during the financial year 1994.
5. To authorise the Board of Managing Directors to increase the Bank's share capital (authorized capital increase) and to amend its statutes accordingly.
6. To authorise the Bank to purchase its own shares.
7. To approve the affiliation agreement that the parent company, Commerzbank Aktiengesellschaft, has concluded with a wholly-owned subsidiary.
8. To appoint the Auditors for the financial year 1995.

Shareholders in the United Kingdom who wish to attend and vote at the Annual General Meeting should inform either the London Branch of Commerzbank AG at 23 Austin Friars, London EC2N 2EN, or S.G. Warburg & Co. Ltd., 2 Finsbury Avenue, London EC2M 2PA, who will make the necessary arrangements. Such notice should be given by May 10, 1995.

Copies of the German version of Commerzbank's 1994 Annual Report will be available shortly from both Commerzbank AG and S.G. Warburg & Co. Ltd. The English version is currently being prepared.

COMMERZBANK AKTIENGESELLSCHAFT

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Bimantara Citra to list 20% stake

By Manuella Saragosa in Jakarta

Bimantara Citra, the Indonesian holding company controlled by Mr Bambang Trihatmodjo, son of President Suharto, plans to sell a 20 per cent stake on the Jakarta stock exchange in the middle of this year.

Last December, the president's eldest daughter listed shares in one of her companies, Citra Marga Nusaphala Persada.

Bimantara Citra has 26 subsidiaries with interests in transport, media, telecommunications, hotels and property, chemicals, the assembly of Mercedes-Benz cars in Indonesia, and financial services.

The company said the listing was planned to coincide with Indonesia's 50th anniversary of independence.

"The 50th anniversary will be a good occasion to go public," said Mr Ahmad Fuad Afidhal, corporate secretary at Bimantara Citra. "We want to share our companies with the Indonesian people."

An international road show

is planned for May, which will take Mr Trihatmodjo to Hong Kong, Germany, the US and Japan. Brokers say foreign investors' appetite for the company has to be whetted because about 80 per cent of trading on the Jakarta Stock Exchange is driven by foreign investors.

The company said Bimantara Citra's listing may be delayed by a few months if market conditions do not favour a share flotation.

It is not yet clear how much Bimantara plans to raise - some brokers have estimated it will be between \$100m and \$200m - or how it will spend the funds.

The proposals mark Bimantara's second attempt to seek a public listing. Last year, it planned to list shares in its broadcasting station Rajawali Citra Televisi Indonesia. However, the ministry of information blocked that attempt after it decided foreigners were not allowed to own shares in Indonesian media.

The Indonesian brokerage house Makindo is advising Bimantara Citra and is likely to be appointed as underwriter.

Mixed results from Israeli banks

By Eric Silver in Jerusalem

Israel's two biggest banks reported sharply contrasting results yesterday. Hapoalim announced net profits of \$175.9m in 1994, an increase of 24 per cent over the previous year, but profits at its troubled rival, Leumi, fell by 21.8 per cent to \$109.8m.

The performance of the two banks was also reflected in their net return on equity, which rose to 10.1 per cent at Hapoalim from 8.8 per cent in

1993, while Leumi's fell from 8.5 per cent to 6.3 per cent.

Both banks are on the block under the government's privatisation programme. Two bids are currently being considered for Hapoalim, but the only bid for Leumi was recently withdrawn.

Hapoalim attributed its increased profits, the highest ever reported by an Israeli company, to an expansion of its client base and increased activity by existing clients.

It also benefited from a rise

in business activity of the group; a decline of 30 per cent in doubtful debt provisions; and an increased contribution by affiliates and subsidiaries, including the Koor group, which reported net profits of \$120m earlier this week.

Leumi blamed the decline in profits mainly on last year's crisis in the money and capital markets, which cut into its operational income from capital market operations.

It also suffered from an increase in pension payment

liabilities due to a fall in the value of the covering assets. These two factors cost the bank a total of \$98m. It was further hit by an erosion of \$81.8m in revenues from foreign exchange transactions.

Bank Hapoalim did not escape the capital market crisis. Its profits from financing activities, before provisions for doubtful debts, fell by 6.9 per cent to \$722m. At the same time, operating and other income dropped by 5.6 per cent to \$629.5m.

Israel's peace dividend lures banks

Israel is increasingly attracting the attention of international investment bankers seeking new business as the Jewish state and Israeli companies look towards the international capital markets.

Global investment houses such as Lehman Brothers and Morgan Stanley have been actively involved in emerging markets fund managers. It credited the country with a weighting of 2.3 per cent - a move which should unleash a wave of new foreign investment in Israeli equities.

One of the main drivers behind the new found interest in Israel is the government's privatisation programme, which could realise \$2bn this year and a further \$3bn-\$4bn in 1996-1997.

appointed Israeli analysts for the first time.

Lehman Brothers last year became the first global house to establish a full office in Israel, and this month, Morgan Stanley included Israel in its emerging markets global and free index, a benchmark for emerging markets fund managers.

It credited the country with a weighting of 2.3 per cent - a move which should unleash a wave of new foreign investment in Israeli equities.

One of the main drivers behind the new found interest in Israel is the government's privatisation programme, which could realise \$2bn this year and a further \$3bn-\$4bn in 1996-1997.

of Israel Chemicals and Morgan Stanley is advising it on the privatisation of Bezek.

Another potential for new business is in issuing government and corporate debt.

Foreign investment banks such as Solomon, Lehman, Bear Stearns and CS Boston have been actively involved in issuing US guaranteed Israeli government debt for immigrant absorption and refinancing loans on military hardware purchases.

However, the government is now planning to issue non-US supported sovereign debt.

It plans to raise up to \$200m of debt on the Euro market, largely to establish a presence there and make use of its

In addition, numerous infrastructure projects have been unveiled as part of the Middle East peace process. These include dams; the construction of a new international terminal at the Jordanian airport at Aqaba for use by Israel; an Israel-Jordan road to the port of Haifa, and a road/tunnel around the northern tip of the Red Sea.

Growing M&A activity is also likely to generate business, with Israeli companies buying abroad and foreign groups buying in Israel.

Assessing management, however, will probably develop more slowly. Interest is growing among foreign institutional investors in Israeli companies listed in Tel Aviv, but they are still sceptical whether Israel has broken the back of inflation and moved into a cycle of interest rate cuts.

Barclays de Zoete Wedd launched a \$158m Israel fund last year, which is currently trading at a discount of about 24.6 per cent. Several other investment banks such as Morgan Stanley and Lehman Brothers have relatively small positions on the market.

However, Israeli analysts say conditions are ripe for a boom in foreign investment in a market which is considered undervalued after more than a year of bearish trading which saw the Mishkan index of the top 100 blue chip companies fall more than 30 per cent.

"I think we are on edge of a wave of foreign investment," said a London-based fund manager. "A lot of money coming away from Latin America will find its way to Israel."

Investment houses see potential for new business, writes Julian O'zanne

Israel has already sold \$528m of equity this year in private sales and is seeking to tap the global capital markets with the assistance of international investment banks.

Lehman Brothers has been appointed lead global co-ordinator for a \$22 per cent international offering of Israel Chemicals, worth about \$200m-\$210m and expected in May.

Merrill Lynch is leading the global offering of 25 per cent of Bezek, the state-owned telecommunications company, worth up to \$700m and also expected in May.

El Al, the state-owned airline, and Zim, the shipping company, are on the block this year and could together raise a further \$150m.

Wendheim Schroder is advising the government on the sale

recently announced official credit rating of BBB plus.

Lehman Brothers is also involved in a \$200m debt offering by the Israel electric company, the first unsupported debt issue by a government company, expected to be offered in the Yankee bond market, the domestic US bond market for foreign companies, later this year.

Another growing market for international investment banks is project finance.

Several big infrastructure projects requiring foreign investment are being planned, including the Trans-Israel highway, the Carmel tunnel, the new Ben Gurion airport terminal, waste treatment facilities and light railway systems for Tel Aviv and Haifa.

S&P downgrades two big Japanese brokers

By Emilio Terazono in Tokyo

Nomura Securities and Yamaichi Securities, two of Japan's "big four" brokers, have had their debt ratings lowered by Standard & Poor's, the international credit rating agency.

The move comes amid declining profitability among Japanese brokers because of falling trading volumes on the Tokyo stock market and increasing competition from securities subsidiaries of the country's leading banks.

Nomura had its senior unsecured debt lowered to AA minus from AA, while Yamaichi's credit rating was lowered to BBB plus from A minus.

The outlook for the two companies remained difficult, the agency said, due to a lack of

meaningful restructuring in the industry, which is facing further deregulation and increased competition.

Nomura recently announced a ¥22bn (\$246m) consolidated loss for the current fiscal year ending this month, reversing its performance last year. S&P said it did not expect Nomura's profitability to recover to levels justifying its former rating, even though the company's performance was better than other Japanese brokers.

Efforts by Yamaichi to halt the decline in its revenues and diversify its operations, had so far been unsuccessful, S&P said.

It added that the company's earnings had declined in spite of its aggressive restructuring, and that the company was expected to post large trading losses on bonds and stocks in the current fiscal year.

CCF
Crédit Commercial de France
Line 150,000,000 Floating Rate Notes due 1998

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from March 30, 1995 to June 30, 1995 the Notes will carry an Interest Rate of 10.96438% per annum.

The Coupon Amount payable on the relevant Interest Payment Date, June 30, 1995 will be Lire 140,356 per Lire 5,000,000 nominal amount of Note and Lire 1,403,560 per Lire 50,000,000 nominal amount of Note.

The Agent Bank
Kreditbank Luxembourg

Province of Newfoundland
CAD 75,000,000 Retractable Bonds due 2007

In accordance with the Terms and Conditions of the Bonds and pursuant to the notice published on March 8, 1995, the Province of Newfoundland hereby gives notice that for the Interest Period from April 08, 1995 to April 08, 2001, the Bonds will carry an Interest Rate of 9% per annum.

The Fiscal Agent
Kreditbank Luxembourg

KOREA LIBERALISATION FUND LIMITED
TO THE HOLDERS OF IDR-WARRANTS

Your attention is drawn to your right to subscribe for Ordinary Shares of US\$ 0.01 each of KOREA LIBERALISATION FUND LIMITED ("the Company") and such right may be exercised in the manner set out below from 30th March, 1995 to 28th April, 1995. In order to exercise your subscription rights, your instruction should be accompanied by a payment equal to US\$ 10.50 for each Ordinary Share for which you are subscribing.

The following information may help you to decide whether or not to exercise your subscription rights this year. The middle market quotations from one of the independent market makers in the Company's Ordinary Shares and Warrants were US\$ 4.375 and US\$ 2.5 respectively on 23rd March, 1995.

The new Ordinary Shares resulting from subscription will be allotted not later than 12th May, 1995. Such Ordinary Shares will rank pari passu in all respects with the existing issued Ordinary Shares of the Company except that they will not rank for any dividends or distributions in respect of the year ended 31st December, 1994.

Application will be made to the Council of the London Stock Exchange for the Ordinary Shares allotted pursuant to the exercise of the subscription rights to be admitted to the Official List not later than 12th May, 1995.

Exercise of your subscription rights should not of itself result in any liability to Capital Gains Tax. A liability to Capital Gains Tax or Capital Transfer Tax may arise, however, if you subsequently dispose of, or nominate some other person to receive, the Ordinary Shares arising from subscription. If you are in any doubt as to your tax position, you should consult your professional advisers.

If your subscription rights are not exercised on 28th April, 1995 you will still have the right to exercise your subscription rights during the year 1995-2000 inclusive. This action is sent in accordance with the terms of the Warrant Deposit Agreement. It is not to be taken as a recommendation to holders of Warrants to exercise their subscription rights or otherwise.

By Order of the Board
Jupiter Asset Management Limited
Secretary

Morgan Guaranty Trust Company of New York
Avenue des Arts 35,
1040 Brussels, BELGIUM

TSB GROUP PLC
(Incorporated in Scotland with limited liability, registered number 950001)

£100,000,000 Perpetual Floating Rate Notes

Notice is hereby given that the Rate of Interest has been fixed at 7.325% and that the Interest payable on the relevant Interest Payment Date June 30, 1995 against Coupon No.21 in respect of £10,000 nominal amount of Notes will be £182.62.

March 30, 1995, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

Dairy Farm

Highlights 1994

A Demanding Year

- Trading profit unchanged
- Earnings per ordinary share + 11%
- Dividends per ordinary share + 6%
- Capital expenditure over US\$200 million
- New supermarket joint ventures in Japan and Malaysia
- 2,500 retail outlets worldwide

"Dairy Farm's results are being affected by the challenges of a highly competitive industry and by the cost of expanding into new markets. Trading profit for 1995 is, therefore, likely to be lower than in the previous year. Nevertheless, the investments we are making should enhance returns in future years."

Simon Keswick, Chairman
29th March 1995

1994 RESULTS

	Year ended 31st December	
	1994	1993
	US\$m	US\$m
Turnover	5,585.3	4,979.8
Trading profit	263.6	270.8
Exceptional item	41.8	-
Profit before interest and taxation	311.4	270.8
Profit before taxation	294.0	252.3
Profit after taxation and minority interests	227.4	197.5
Profit after preference dividends	213.8	188.8
Shareholders' funds	1,190.7	1,001.1
	US\$	US\$
Earnings per ordinary share	12.52	11.28
Dividends per ordinary share	6.00	5.65

Dairy Farm International Holdings Limited
Incorporated in Bermuda with limited liability



A member of the Jardine Matheson Group

VOLKSWAGEN AG

Wolfsburg

Invitation to the Separate Meeting of Holders of Preferred Shares

We have pleasure in inviting holders of preferred shares to the Separate Meeting to be held at 3.00 p.m. on Thursday, June 1, 1995 at the Congress Centrum Hamburg, Am Damtor, 20355 Hamburg.

The start of the Separate Meeting of Holders of Preferred Shares may be subject to delay depending on the duration of the immediately preceding Ordinary Annual Meeting of Stockholders.

Agenda:

1. Announcement of the resolutions passed by the Ordinary Annual Meeting of Stockholders on June 1, 1995 regarding authorisation to create authorised capital stock.
2. Special resolution by the holders of preferred shares regarding approval of authorisation of the Board of Management to issue convertible and/or option bonds and to create potential capital stock by the Ordinary Annual Meeting of Stockholders and announced under item 1 of this agenda.
3. Announcement of the resolutions passed by the Ordinary Annual Meeting of Stockholders regarding authorisation to issue convertible and/or option bonds and the creation of potential capital stock.
4. Special resolution by the holders of preferred shares regarding approval of authorisation of the Board of Management to issue convertible and/or option bonds and to create potential capital stock for the granting of option and convertible rights made out to the bearer in respect of ordinary and/or non-voting preferred shares in accordance with the resolutions passed by the Ordinary Annual Meeting of Stockholders and announced under item 3 of this agenda.

Entitlement to attend the Separate Meeting and to exercise voting rights is restricted to holders of preferred shares who, in accordance with the Articles of Association, deposit their shares or certificates of deposit of their shares from a bank for central depository of securities at the latest by May 23, 1995 at one of the depositories, at a notary or a bank for central depository of securities and leave them there until the end of the Separate Meeting.

The depository in Great Britain is S.G. Warburg & Co. Ltd. in London. It is also permissible, with the agreement of a depository, to hold the shares at another bank and block them until the end of the Separate Meeting.

Wolfsburg, March 1995

The Board of Management



BANK FÜR ARBEIT UND WIRTSCHAFT A.G.

(Incorporated with limited liability in Austria)

U.S. \$100,000,000 Subordinated Floating Rate Notes due 2000

In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 6.5% per annum and that the interest payable on the relevant Interest Payment Date September 29, 1995, against Coupon No.21 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$330.42.

March 30, 1995, London

By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

CITICORP

U.S. \$150,000,000

Subordinated Floating Rate Notes Due September 2005

Notice is hereby given that the Rate of Interest for the period March 30, 1995 to June 30, 1995 has been fixed at 6.0% and that the interest payable on the relevant Interest Payment Date June 30, 1995, against Coupon No. 7 in respect of US\$5,000 nominal of the Notes will be US\$153.33.

March 30, 1995, London

By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

VOLKSWAGEN AG

Wolfsburg

Invitation to the Ordinary Annual Meeting of Stockholders

We have pleasure in inviting holders of ordinary and preferred shares to the Ordinary Annual Meeting of Stockholders to be held at 10.00 a.m. on Thursday, June 1, 1995 at the Congress Centrum Hamburg, Am Damtor, 20355 Hamburg.

Agenda:

1. Presentation of the confirmed financial statements, the consolidated financial statements, the Management Report and the Group Management Report for the year ended December 31, 1994, together with the Report of the Supervisory Board.
2. Resolution on appropriation of net earnings available for distribution.
3. Resolution on ratification of the actions of the retired member of the Board of Management, Mr. Juan Antonio Diaz Alvarez, for the fiscal year 1993.
4. Resolution on ratification of the actions of the Board of Management for the fiscal year 1994.
5. Resolution on ratification of the actions of the Supervisory Board for the fiscal year 1994.
6. Resolution on the creation of authorised capital stock and the appropriate amendment of the Articles of Association.
7. Resolution on the creation of further authorised capital stock for the purpose of issuing shares to employees and the appropriate amendment of the Articles of Association.
8. Resolution on authorisation to issue convertible or option bonds, creation of potential capital stock and the appropriate amendment of the Articles of Association.
9. Resolution on approval of an inter-company agreement.
10. Appointment of auditors for the fiscal year 1995.

In respect of items 6, 7 and 8, the holders of non-voting preferred shares will decide on the passing of a resolution at a Separate Meeting to be held at 3.00 p.m. on the same day regarding their approval of the resolutions passed at the Ordinary Annual Meeting of Stockholders.

Entitlement to attend the Annual Meeting of Stockholders and to exercise voting rights is restricted to stockholders, and with regard to voting rights holders of ordinary shares, who, in accordance with the Articles of Association, deposit their shares or certificates of deposit of their shares from a bank for central depository of securities at the latest by May 23, 1995 at one of the depositories, at a notary or a bank for central depository of securities and leave them there until the end of the Annual Meeting of Stockholders.

The depository in Great Britain is S.G. Warburg & Co. Ltd. in London. It is also permissible, with the agreement of a depository, to hold the shares at another bank and block them until the end of the Annual Meeting of Stockholders.

Wolfsburg, March 1995

The Board of Management



United Kingdom

U.S.\$4,000,000,000

Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 30th March, 1995 to 30th June, 1995, the Notes will bear interest at the rate of 6 per cent. per annum. Coupon No.35 will therefore be payable on 30th June, 1995, at the rate of US\$7,666.67 from Notes of US\$100,000 nominal and US\$153.33 from Notes of US\$10,000 nominal.

S.G. Warburg & Co. Ltd.

Agent Bank

CITIBANK

COMPANY NEWS: UK

Increased demand seen for building materials in UK and US

Blue Circle rises to £184m

By Andrew Taylor, Construction Correspondent

Increased demand for building materials in the UK and the US enabled Blue Circle, Britain's biggest cement manufacturer, to increase pre-tax profits for 1994 by 11 per cent, from £165.6m to £184.4m (£302m). Stripping out an exceptional charge of £59.4m, profits rose 47 per cent to £243.8m (£185.6m).

The charge consisted mainly of a provision of £44.3m, reflecting losses on the disposal of the New World cooker

business, of which £35.1m represented a goodwill write-off. A further £18.2m represented Blue Circle's share of an EU anti-cement cartel fine, which is being appealed.

Worldwide cement, concrete and aggregates businesses increased operating profits by 43 per cent to £196.6m (£137.7m) while European bathroom and domestic heating products lifted their input 4 per cent to £27.1m (£24.4m).

UK cement profits jumped 78 per cent to £64.1m (£36.1m), helped by a 15 per cent increase in volume sales.

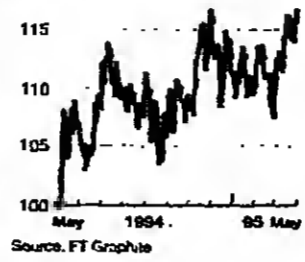
Employment in this division has been cut substantially and further large cost savings are planned. Operating margins on UK cement sales rose from 13 per cent to 20.2 per cent, close to the group's best returns.

Cost savings also played a substantial part in raising US building material profits by 49 per cent to £48.6m (£32.6m) on sales of £348.1m (£311.7m).

The biggest single profits advance occurred in Africa. An 88 per cent increase to £24.6m marked surprisingly strong growth in a generally weak Nigerian market.

Blue Circle

Share price relative to the FT-SE-A Building Materials & Merchants Index



Source: FT Graphix

RJB ahead of forecast with £16m

By Michael Smith

RJB Mining, the UK's largest coal company, yesterday pleased investors with 1994 profits above forecasts and statements that it is exceeding production and sales targets at the mines it took over

from British Coal three months ago.

RJB lifted pre-tax profits by 32 per cent to £16.1m - ahead of the profit forecast of £15m it made last November.

Mr Richard Budge, chief executive, said sales and output were above the company's projections. He was encouraged by

recent rises in world coal prices and expected to replace a significant proportion of the 6m tonnes of domestic and industrial coal imported to the UK each year.

Mr Budge said that the Point of Ayr pit in north Wales was the only one which was loss-making.

Provision hits Coats Viyella

By Metoko Rich

Losses on business disposals knocked £51m off the profits of Coats Viyella, the UK's largest textile and clothing company. The pre-tax figure fell 30 per cent from £150.3m to £105.1m (£168m) after provisions for losses on the sale of the carpets, yarns and fabrics divisions.

Excluding exceptional charges, a turnaround in the performance of the fashion retailing division and growth in its precision engineering division helped the group push underlying pre-tax profits up 18 per cent from £125.1m to £145.2m. Mr Neville Bain, chief executive, said the company had recovered raw material cost increases through cost cutting, product re-engineering, and by passing on some price rises, and would continue to do so.

"The signs are there that we are going to be able to see good growth this year."

Worldwide demand was mixed, but sales rose 5.9 per cent to £2,599m (£2,449m). In the thread division - the largest business - the devaluation of the Turkish currency affected demand and the results on translation, cutting £5m-£10m from profits. However, better performance elsewhere helped the division's operating figure rise to £86.2m (£82.6m).

After an unsuccessful attempt to attract younger customers in the first half, the fashion retailing division returned to traditional designs and pushed operating profits up from £9.1m to £10.8m.

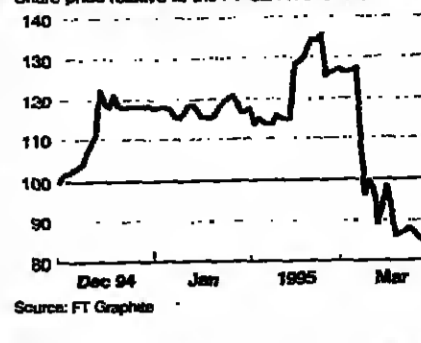
A shift in the knitwear market towards shaped products depressed the clothing division. An investment of £18m in new machinery was made to accommodate the changes, and operating profits slipped to £16.4m (£32.6m). Home furnishings was hit by the sluggish UK housing market and raw material price rises. Operating profits fell to £11m (£12.2m).

LEX COMMENT

Northern Electric

Northern Electricity

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphix

Momentum is building for a showdown with Northern Electric's management. Admittedly, discontent has only come from arbitrageurs who paid more than £10 a share at the height of the Trafalgar House bid. They would feel comfortable with any bid that lifted the share price above the current 75p. But they should be able to command 10 per cent of Northern's shares and call an extraordinary general meeting to try to put a bid back on the rails.

It is no bad thing that Northern will be put on the spot. This is a management whose reaction to Trafalgar's bid was to push for a referral to the Monopolies and Mergers Commission. A reminder of the management's need to serve its shareholders would be timely, given the current share price. After all, it could be months before Professor Stephen Littlechild, the electricity regulator, delivers his verdict on a tougher regime for electricity companies. And there is no guarantee that Trafalgar will still be around.

At present, most UK institutions appear content to wait for Prof Littlechild's judgment before there is another bid. An egg will at least gauge the level of support for this stance, but Northern would be wise to look for ways

of earning it. Letting Trafalgar know that higher offers would be considered is one course. Or Northern could issue the preference shares that formed part of its defence package. Subsequent dividend pay-outs would not drain substantial cash, and it would demonstrate that Northern believes shareholders' patience should be rewarded.

Disposals boost H&C to £237m

By Peggy Hollinger

Harrisons & Crossfield, the conglomerate which has raised almost £300m (£480m) from disposals over the last year, is scouting the globe for acquisitions after announcing annual profits above expectations.

On sales 5 per cent lower at £2,118m (£2,218m) the pre-tax result jumped from £98m to £238.7m.

The advance was due to a net gain on disposals of £138.5m. Last year Harrisons sold its Indonesian plantations business, a French breakfast cereals subsidiary, and two Australian subsidiaries for an aggregate £281.7m.

Mr Bill Turcan, chief executive, said the company was "definitely in search of acquisitions" both in the UK and abroad, focusing on the specialty chemicals and timber and building supplies sectors.

Deals of about £50m were more likely than a single large purchase. Talks were under way with two prospective tar-

gets in east Asia.

Mr Turcan said Harrisons had enjoyed a better than expected year, in spite of the profits warning in November. At the time, analysts marked down their forecasts from £150m before exceptional items to between £90m and £100m.

Excluding exceptional items, pre-tax profits came to £108.4m.

Surprisingly strong palm oil prices helped the Papua New Guinea plantation to double profits from £6.1m to £12.1m.

Interest charges fell to £17.2m (£28.7m). Harrisons reported operating profit increases of 7 per cent from its chemicals division and 29 per cent from the timber and building supplies business.

The food and agriculture division's profits fell 16 per cent, hit by low pig prices and a difficult malt market.

The final dividend is maintained at 5.4p, for a static total of 9p. Earnings rose from 8.6p to 27.3p.

Eurotherm £4.4m US purchase

Eurotherm, the industrial process control equipment supplier, is acquiring Systems Automation and Services, based in North Carolina, for £4.4m (£7m) cash.

Systems Automation, which makes custom systems for the control of electronic motors in industrial applications, made pre-tax profits of £1.6m (£270,000) on turnover of £3.4m (£2.6m) in 1994.

Orb Estates

Orb Estates has been awarded damages of £32.25m for breach of contract from Wendy's Restaurants of Canada.

The settlement relates to legal action taken by Ossory Canada, an Orb subsidiary, concerning Wendy's withdrawal from a long-term lease. Wendy's has appealed. Ossory Canada has counter-appealed.

Orb has also sold an office building in Ottawa for £395,000 and its interest in Hyannis Golf Club at Cape Cod in the US for \$950,000.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on Thursday, May 11, 1995, 10:00 a.m. at the BASF-Feierabendhaus, Leuschnerstraße 47, Ludwigshafen/Rhine, Germany

Agenda

1. Presentation of the Financial Statements of BASF Aktiengesellschaft and BASF Group for 1994; presentation of the 1994 Annual Report covering BASF Aktiengesellschaft and the BASF Group; presentation of the Supervisory Board Report.
2. Declaration of dividend.
3. Ratification of the actions of the Supervisory Board.
4. Ratification of the actions of the Board of Executive Directors.
5. Appointment of auditors.
6. Election of Supervisory Board member.
7. Elimination of existing and creation of new authorized capital.
8. Approval of a control and profit-transfer agreement.

Shareholders wishing to participate in the Annual Meeting and to exercise their right to vote must have deposited their shares during normal office hours and in the prescribed form at a depository bank. The shares should remain deposited until the conclusion of the Annual Meeting. Shareholders have the right to vote by proxy. Agenda are published in the "Bundesanzeiger" of the German Federal Republic Nr. 62 of March 29, 1995.

Depository banks in the U.K.:

Morgan Grenfell & Co. Limited
S.G. Warburg & Co. Ltd.

The deposit is only effective if the shares are submitted by Wednesday, May 3, 1995.

The Board of Executive Directors
Ludwigshafen/Rhine,
March 29, 1995

BASF Aktiengesellschaft
67056 Ludwigshafen

BASF

Britannia Building Society

£150,000,000 Floating rate notes 1997

For the period 28 March 1995 to 28 June 1995 the notes will bear interest at 6.54732% per annum. Interest payable on the relevant interest payment date 28 June 1995 will amount to £172.61 per £100,000 note and £1,726.05 per £1,000,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

BAYER AKTIENGESellschaft

The Annual General Meeting of Bayer Aktiengesellschaft will be held on 26th April, 1995 in Cologne. Payment of a Dividend of 28% for the year 1994 will be proposed.

Copies of the Company's Annual Report for 1994 in English will be available from S.G. Warburg & Co. Ltd., United Kingdom Shareholders who wish to attend and vote at the Annual General Meeting should by 18th April, 1995, inform S.G. Warburg & Co. Ltd., Trading Agency, 2 Finsbury Avenue, London EC2M 2PA who will make the necessary arrangements on their behalf.

Under Section 125 of the German Companies Act, the Board of Management is only obliged to provide information on corporate and non-financial data that may be made by shareholders in accordance with the provisions of the German Securities Act in good time.

BAYER AKTIENGESellschaft
March, 1995

Ludwigshafen & Financial History on Compact Disk

Overviews of historical financial prices and financial information immediately at your fingertips. By offering everything you need to see easy-to-use CD-ROMs help you perform analysis, forecasting, modelling, presentation and more.

15 YEARS OF HISTORICAL PRICES FOR CASH, FUTURES, OPTIONS AND INDEX MARKETS.

30 YEARS OF FUNDAMENTAL INFORMATION ON OVER 100 COMPANIES.

Similar to the information found in the CRB Commodity Year Book, the title of the CD-ROM is "Financial History on Compact Disk". It provides daily price updates via KRI-Quint, KRI-Quint's software specifically designed to download and import end-of-day prices directly into your database.

INFORMATION: Reader Valid
KRI House, 76 Fleet Street, London EC4Y 1HY
Tel: +44 (0) 71 462 5803

AKZO NOBEL

The Annual Meeting of Stockholders of Akzo Nobel N.V. - formerly Akzo N.V. - will be held at the Netherlands Congressgebouw, Churchillplein 10, The Hague, on Thursday, April 27, 1995, at 2:00 p.m.

Agenda

1. Opening
2. Report of the Board of Management for the fiscal year 1994
3. Approval of the financial statements of Akzo Nobel N.V. and of the dividend
4. Appointments to the Supervisory Board
5. Proposal to authorize the Board of Management to issue shares and to restrict or disregard the preemptive rights of stockholders
6. Proposal to authorize the Board of Management to acquire shares of the Company on behalf of the Company
7. Proposal to appoint KPMG Accountants N.V. as the Company's auditors for an indefinite period of time
8. Any other business

Re item 4: Mr. B. Magnusson has announced his resignation from the Supervisory Board effective April 27, 1995. It is proposed that Mr. J.E. Kivimäki be appointed to the Supervisory Board with effect from the same date. Nominated for reappointment are Mr. A.E. Cohen, Mr. H.A. van Stiphout and Mr. L.C. van Wachem.

Re item 5: This proposal concerns the designation of the Board of Management, for a period of eighteen months, as authorized: a) to issue - and to grant subscription rights to - convertible shares up to a maximum of 10% of the total number of shares outstanding; b) to restrict or disregard the preemptive rights allowed to stockholders by virtue of law in respect of the issue of shares or the granting of subscription rights in conformity with (a), but only regarding stock issued pursuant to a resolution of the Board of Management.

Re item 6: This proposal concerns the authorization of the Board of Management, for a period of eighteen months, within the limits provided by law and the articles of association, to acquire for a consideration shares in the Company at a price not in excess of market value.

Re item 7: KPMG Klynveld changed their legal form to KPMG Accountants N.V. effective January 1, 1995.

This agenda, the signed financial statements, and a list of personal data on the nominees for the Supervisory Board are available for inspection by stockholders at the Company's office, Velperweg 76, Arnhem.

Copies of the aforementioned documents are available to

stockholders without charge at the Company's office and at the banks mentioned below.

Stockholders who wish to attend the meeting or choose to be represented at the meeting shall deposit their shares at the Company's office, Velperweg 76, Arnhem, the Netherlands, alternatively at ABN AMRO Bank N.V., Herengracht 595, Amsterdam, or through one of the banks listed below, before or on Thursday, April 20, 1995.

A stockholder who chooses to be represented shall also give a signed power of attorney - either not using the bottom portion of the certificate of deposit - whilst the proxy shall surrender the certificate of deposit and the power of attorney before the meeting. A separate power of attorney duly completed and signed by the stockholder may also be presented by the proxy in the form of a faxed message.

To facilitate prompt verification of the validity of the power of attorney, Akzo Nobel requests the stockholder or the proxy to make available a copy thereof to:

Akzo Nobel N.V.
Investor Relations Dept. Fax +31 85 424909
P.O. Box 9500
6500 BX ARNHEM, the Netherlands
not later than one day ahead of the meeting, or to present the certificate of deposit and the power of attorney one hour before the meeting at the registration desk.

Banks:
in the Netherlands: ABN AMRO Bank N.V., MeesPierson N.V., and Internationale Nederlanden Bank N.V. in Amsterdam, E. van Lanschot Bankiers N.V. in 's-Hertogenbosch, Rabobank Nederland in Utrecht, and their branches; in the Federal Republic of Germany: Deutsche Bank AG and Dresdner Bank AG in Frankfurt a.M., Berliner Handels- und Bankverein in Berlin, and Sal. Oppenheim jr. & Cie. KGaA in Cologne; in Belgium: Generale Bank, Panbas Bank België, and Kredietbank in Brussels; in Luxembourg: Banque Générale du Luxembourg S.A. in the city of Luxembourg; in the United Kingdom: Barclays Global Securities Services and Midland Securities Service in London; in France: Lazard Frères & Cie and Banque Nationale de Paris in Paris; in Austria: Creditanstalt-Bankverein in Vienna; in Switzerland: Schweizerische Kreditanstalt and Schweizerische Bankgesellschaft in Zurich, Schweizerischer Bankverein in Basel, and their branches, and Pictet & Cie in Geneva.

The Supervisory Board

Arnhem, March 30, 1995

Akzo Nobel N.V.

The Financial Times plans to publish a Survey on

Burgundy

on Monday, April 10

The province of Burgundy is not just about wine. It is now developing in areas such as photography, pharmaceuticals and packaging and as a result is one of France's most important regions.

If you want to reach the influential readers of the Financial Times by advertising in this survey please contact

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FT Surveys

THE ROYAL BANK OF CANADA

Debentures due 2005

In accordance with the terms and conditions of the Debentures, the interest rate for the period 21st March, 1995 to 20th April, 1995 has been fixed at 6.1875% per annum. On 20th April, 1995, interest of U.S. \$4,812.50 per U.S. \$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 20th April, 1995 will be determined on 20th April, 1995.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

BANK OF QUEENSLAND LIMITED

US\$100,000,000

Multiple Option Facility Agreement

DATED SEPTEMBER 22, 1993

In accordance with the provisions of the Transferable Loan Certificate issued on September 22, 1993, a heavily green field for the six month interest period from March 29, 1995 to September 22, 1995 (Final Maturity Date) the Certificate will carry an interest rate of 6.25% per annum.

For and on behalf of
Credit Suisse Financial Products
an Agent Bank

BANQUE PARIBAS
LUXEMBOURG

US\$100,000,000

Compagnie Bancaire

Senior Collateral Floating Rate

Notes due 2002

For the period from March 30, 1995 to September 29, 1995 the Notes will carry an interest rate of 6.25% per annum with an interest amount of U.S. \$28.125 per U.S. \$100,000 Note and of U.S. \$2,812.50 per U.S. \$2,000,000 Note.

The relevant interest payment date will be September 29, 1995.

For and on behalf of
Credit Suisse Financial Products
an Agent Bank

BANQUE PARIBAS
LUXEMBOURG

US\$800,000,000

Rothschilde Continuation

Financed B.V.

Primary Capital Updated

Guaranteed Floating Rate Notes

For the period from March 30, 1995 to September 29, 1995 the Notes will carry an interest rate of 6.25% per annum with an interest amount of U.S. \$28.125 per U.S. \$100,000 Note and of U.S. \$2,812.50 per U.S. \$2,000,000 Note.

The relevant interest payment date will be September 29, 1995.

Agent Bank:
BANQUE PARIBAS
LUXEMBOURG

BANQUE PARIBAS
LUXEMBOURG

BANQUE NATIONALE DE PARIS S.A. (DEUTSCHLAND) OHG

USD 250,000,000

Floating Rate Subordinated

Loan due 2000

Notice is hereby given that the rate of interest for the period from March 30th, 1995 to June 30th, 1995 has been fixed at 6.50 per cent. The coupon amount due for this period is USD 4,256.57 per USD 250,000 denomination and is payable on the interest payment date June 30th, 1995.

The Fiscal Agent
Banque Nationale de Paris
(Luxembourg) S.A.

BANQUE NATIONALE DE PARIS
(Luxembourg) S.A.

MINORCO NOTICE TO HOLDERS OF BEARER SHARE CERTIFICATES PAYMENT OF COUPON No. 15

With reference to the notice of final dividend advertised in the press on March 17, 1995 the following information is published for the guidance of holders of bearer share certificates. The dividend of 38 cents was declared in United States currency. The dividend will be paid on or after May 12, 1995, against surrender of Coupon No.15 detached from bearer share certificates as follows:

(a) at the offices of the Corporation's Continental paying agents:
Banque Générale du Luxembourg Crédit du Nord
14, rue Aldringen 24, rue des Mathurins
Luxembourg 75008 Paris
Grand Duchy of Luxembourg France

(b) at the London Securities Department of Barclays Bank plc, Stock Exchange Services Dept., 168 Fenchurch Street, London EC3P 3HP. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency only.

(i) in respect of coupons lodged on or prior to May 5, 1995, at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Barclays Bank plc.

(ii) in respect of coupons lodged on or after May 5, 1995, at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Barclays Bank plc.

Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10am and 3pm.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Barclays Bank plc, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend, after deducting United Kingdom income tax at 20% will be 30.4 cents (United States) per share.

In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the Annual Report of Minorco for the 18 months to December 31, 1994 will be available from the Registered Office of the Corporation and the offices of the paying agents referred to above.

By Order of the Board

N Jordan, Secretary

March 30, 1995

Minorco Société Anonyme

R.C. Luxembourg No. B12139

LLOYDS INTERNATIONAL LIQUIDITY SICAV

1, rue Schiller
L-2519 Luxembourg
R.C. Luxembourg No B 29813

NOTICE

is hereby given to the Shareholders that the Annual General Meeting of Shareholders of LLOYDS INTERNATIONAL LIQUIDITY SICAV will be held at the registered office, in Luxembourg, 1 rue Schiller, on 18 April 1995 at 10.00 a.m. with the following agenda:

1. Submission of the reports of the Board of Directors and of the Authorised Independent Auditor;
2. Approval of the annual accounts as at 31 October 1994 and allocation of the net results;
3. Discharge to the Authorised Independent Auditor for the financial period ended 31 October 1994;
4. Election of the Authorised Independent Auditor for the new financial year;
5. Acknowledgement of the resignations of Mr A B Howells and Mr R C Satter;
6. Election of Mr R S Moore as a new Director following the resignation of Mr A B Howells;
7. Re-election of Directors;
8. To transact such other business as may properly come before the Meeting.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be passed by the majority of the votes expressed by the Shareholders present or represented at the Meeting.

By order of the Board of Directors

Queens Moat 'needs £100m in disposals'

By Peggy Hollinger

Queens Moat Houses, the heavily-indebted hotels group, yesterday revealed a strong improvement in operating profits and set out the task it faces to survive under the financing regime recently agreed by bankers owed £13bn.

Mr Andrew Coppel, chief executive, said Queens Moat would have to pay some £60m in annual interest charges by 1997, and sell its 37 provincial County hotels to reduce debt of £200m which falls due in 2000. It is expected that the company will have to raise about £100m in disposals to meet its debt repayment plan.

However, he was confident that Queens Moat would be able to survive the challenge. "Servicing the debt will not be a problem for us," he said.

Analysts were less certain, however, saying Queens Moat was not yet out of the critical ward. "This deal just means that they will continue to exist, not that they are a thriving hotels chain," said one. "They still have to continue trading at expected levels of profitability."

Queens Moat's bankers have

been negotiating a refinancing package for two years. A deal was struck last week when the final creditor agreed to a revision of the proposals announced in December.

Under the new deal, Queens Moat will have to pay the interest on £300m in term debt from this July, instead of next year. Mr Coppel said the cost of the revision to Queens Moat was about £25m. The rest of the refinancing remains as in the December proposals. It allows for a £200m debt-for-equity swap, leaving creditors with 60 per cent of company.

Queens Moat also yesterday announced revised provisions for the costs of the lengthy restructuring. The company, which originally had set aside £42m, increased the provision by £5m. Some £22m of this will go to the creditors and their advisers. Queens Moat incurred a further £25m.

Mr Coppel's comments came as Queens Moat unveiled a 91 per cent increase in 1994 operating profits to £35.2m. The UK made most of the profits, whereas Germany the trading environment continued to deteriorate and Belgium remained difficult.

Hong Kong costs too high for Virgin

By Roderick Oram,
Consumer Industries Editor

Virgin has decided for economic reasons against opening a Megastore in Hong Kong. Property rents were too high and margins on music products too low to support a store, said Mr Wil Whitehorn, a Virgin executive.

Virgin, Mr Richard Branson's fast diversifying consumer goods and services conglomerate, will instead seek opportunities in Taiwan and China with Wheelock, its local joint venture partner. "There's a thirst for western

style retailing in the region. The only problem is in Hong Kong," Mr Whitehorn said.

Last November Virgin and Wheelock announced their intention to open a Megastore in Hong Kong in early 1995. Since then "there has been a decline in the retail market and conditions have failed to improve," said Mr Mike Inman, managing director of Virgin Retail's Asia region.

"The Hong Kong music market is relatively small and the additional competition introduced rapidly during the last 12 months is disproportionate to market growth," he added.

COMPANY NEWS: UK

Pearson wins at Beat the Clock

Raymond Snoddy and Nikki Tait on buying Grundy Worldwide

Pearson's battle to buy Grundy Worldwide, the independent television production company famous for programmes such as "Neighbours" and "Sale of the Century", last week turned into a game show race against the clock in its own right.

The clock was already ticking when Mr Greg Dyke, the new chairman and chief executive of Pearson Television, flew on Concorde last Wednesday to New York and in the airport lounge met Mr Reg Grundy, who runs Grundy Worldwide from his Bermuda home.

Mr Grundy, the 71-year-old former radio show host who founded Grundy Worldwide, and Mr Dyke, who began his career on local newspapers, hit it off straight away and more talks were scheduled for Friday in London.

By then, time was beginning to run out. If the deal had not been agreed on Friday, Mr Grundy would have resumed his journey to Australia where he was yesterday due to meet analysts, and the planned flotation of 35 per cent of Grundy Worldwide would have gone ahead.

The Pearson executive had already been talking to Grundy about programmes for the planned Channel 5 bid when he realised there would be a good fit with Thames Television, the Pearson subsidiary.

Grundy said it would proceed with its international public offering while Pearson promised it would continue with its detailed look at the company. Unusually, because of the planned flotation, extensive details were available on the private, and until then,



Greg Dyke: hanging on to the Reg Grundy rule-book



Reg Grundy: from quiz shows to Bermuda beach

rather secretive company. According to the prospectus, revenues in 1993-94 fell to \$79.6m (£48.5m), compared with \$97.8m in the previous 12 months - a drop that was blamed on factors such as Germany's Tele 5 switching to sports programming.

Operating profit dipped from \$18.3m to \$14.9m, although the 1994-5 results are believed to show a considerable recovery. The flotation, being organised by Merrill Lynch, envisaged the shares of Grundy Worldwide being offered at between \$18 and \$20, raising some \$100m for Mr Grundy and valuing the company at between \$272m and \$302m.

In Australia there has been local comment about the relatively high historic multiple on which the shares were being offered, given the limited resale value of game show programming. The flotation meant, however, that Pearson had the chance of buying within the flotation range or letting the deal go.

The other complexity, apart from price, was what are factually being described as "the tax complexities".

The bulk of the company's profits - \$12.7m out of \$14.8m made in 1993-94 - goes through subsidiaries in Bermuda and Antigua where no tax is paid. The Antigua subsidiary owns the worldwide rights to programme formats and concepts. "The deal will be earnings-enhancing from year one," said Mr Dyke, adding that further profits would flow from using Thames studios to make Grundy programmes.

Mr Grundy, who is married to Neighbours actress Joy Chalmers-Grundy, began moving out from Australia about a decade ago, with what the group has dubbed "parochial internationalism" - adapting game show formats into local language products and selling them into European, Australian and US markets. Grundy once described the

process as "taking the kangaroos and kookaburras out". The company once took the old US game show, The Sale of the Century, updated it and sold it back to NBC, the US network.

Production accounted for some 75 per cent 1994's \$90m revenues, and distribution the remainder. The programming is currently produced, or co-produced in Australia, New Zealand, the UK, France, Germany, the Netherlands, Sweden, Spain, Italy and Chile.

The highest single source of revenues was France, providing almost 30 per cent of the group total. The UK produced another 28.1 per cent, and Australia, about one fifth.

But Grundy's declared aim is to target new markets in South Africa, eastern Europe, Latin America and Asia. It has been talking about producing a sports game show for Rupert Murdoch's Star TV aimed at the Indian market to be called "Kriket", for example, and another game show for Indonesian broadcaster, ANTEVE.

Meanwhile, "Neighbours", while accounting for only a quarter of net revenues, brought in about 36 per cent of gross profits last year. The soap is produced under a contract with Australia's Ten Network, which has been extended to October 1996. The main distribution contract is with the BBC in the UK, and runs through to 1998.

Mr Grundy will now be spending more time on his private Bermuda beach, but will remain a consultant to the company he created.

"I don't want to throw away the Reg Grundy rule-book. He's the one who knows how to do it," said Mr Dyke.

Reed Elsevier cuts chiefs' contracts

By William Lewis

Two executive directors of Reed Elsevier, the Anglo-Dutch information and publishing group, have had their three-year rolling contracts cut to two years.

The move follows the company's announcement earlier this year that it had agreed to pay Mr Peter Davis, former chairman, a compensation package worth £2.02m.

The 1994 annual report says that Mr Nigel Stapleton, chief financial officer and

co-opted member of the executive committee, and Mr John Mallon, a full member of the executive committee, "have this year agreed without compensation to service contracts terminable on two years' notice".

However, the report shows that at least one other Reed Elsevier director still has a three-year rolling contract.

Part of the reason for the size of Mr Davis's pay-off was his three-year rolling contract. Reed yesterday said it would be "cheeky" to assume that the directors'

contracts had been shortened as a result. There had been "mitigation of around one-third of his contractual entitlement".

Under a long-term incentive plan covering the period 1992-94 Mr Davis is now entitled to receive 6,032 Reed shares and could be given another 27,000 shares through the 1993-95 plan if certain performance criteria are met.

Other directors received increases in total cash pay of up to 50 per cent last year when pre-tax profits increased by 16 per cent to £620m.

IRISH PERMANENT PLC

Demutualisation

IRE55.4 million placing and offer of Offer Shares

IRE81.6 million distribution of Free Shares

Listing on The Stock Exchange in Dublin and London

West Merchant Bank acted as lead financial adviser, joint sponsor and underwriter



DUSIT SINDHORN CO., LTD.

acquisition of 83.27 per cent. of the share capital of

KEMPINSKI AG

West Merchant Bank acted for the acquiror



BRAU UND BRUNNEN AG

has entered into a memorandum of co-operation and acquired 25.001 per cent. of the share capital of

OKOCIMSKIE ZAKLADY PIWOWARSKIE SA

West Merchant Bank arranged the investment and assisted in negotiations



COMMERCIAL INTERTECH CORP.

has acquired

HYDRAULIK ROCHLITZ GmbH

and

SACHSENHYDRAULIK GmbH CHEMNITZ

both subsidiaries of

ORSTA-HYDRAULIK AG

from the

TREUHANDANSTALT

West Merchant Bank acted for the vendor

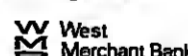


CELLULOSE DES ARDENNES

has been sold to

CARTIERE BURGO S.p.A.

West Merchant Bank acted for a consortium of charge holding banks



International Corporate Finance

SVENSKA CELLULOSA AKTIEBOLAGET SCA

acquisition of 75 per cent. of the share capital of

PAPIERWERKE WALDHOF ASCHAFFENBURG AG

for DM 1,526 million

West Merchant Bank initiated this transaction and acted for the acquiror

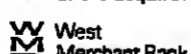


UNIGATE PLC

acquisition of

VEDIAL S.A.

West Merchant Bank acted for the acquiror



NAMPAK LIMITED

has issued \$35 million of European Depositary Receipts representing ordinary shares of the company

West Merchant Bank acted as lead manager



THE HUB POWER COMPANY LIMITED

has issued \$175 million of Global Depositary Receipts representing new ordinary shares of the company

West Merchant Bank acted as co-lead manager



We are pleased to announce some of our recent corporate finance transactions on behalf of clients in Europe, Asia and South Africa.

West Merchant Bank - assisting its international clients to fulfil their ambitions.

For further information, please contact:

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West Merchant Bank, a member of the WestLB Group, is a member of the Securities and Futures Authority.

West Merchant Bank

COMMODITIES AND AGRICULTURE

MARKET REPORT

Palladium rallies to fresh high

The London PALLADIUM price bounced strongly yesterday following an overnight rally in New York.

The return of investment fund buyers pushed the June futures price at the New York Mercantile Exchange up \$3.20 to \$173.45 a troy ounce and the London price responded with an \$8.75 rise to \$176 an ounce at the afternoon "fixing". That took it 15 cents above the six-year high reached last week. The Nymex June price was \$176.25 in late trading.

The renewed upturn followed a bout of investment fund selling that received encouragement on Tuesday when Japanese electronics group Kyocera Corporation said it would substitute cheaper metals in its ceramic condensers because of soaring palladium prices. But dealers said reports yesterday that Japanese imports of the metal continued at a high level offset the scare.

Mr Jake Bernstein president

of the New York firm MBH Commodities, pointed out the palladium bull market that started in June 1992 had been longer than many of the recent bull markets in that metal. "The technical conditions suggest a top," he said. "However, the extremely strong upside momentum combined with a very bullish fundamental underpinning, suggest a move to the \$200 level in relatively short order."

At the London Metal Exchange, base metal prices ended with pared losses after a day tracking movements in COPPER.

Copper fell sharply on the pre-market on tired long liquidation, but short-covering and stronger nearby premiums rescued it, and apparently other metals, from further losses.

ALUMINIUM was hit by long liquidation, dipping to a low of \$1,804 a tonne for three months delivery. The price ended at \$1,820, down \$28 on balance. Compiled from Reuters

WMC signs Philippines exploration agreement

By Nikkai Tait in Sydney

Western Mining Corporation, the Australian mining company, yesterday announced that it had signed a "finance and technical assistance agreement" with the Philippines government, allowing the Melbourne-based group to explore and develop a 90,400-hectare zone on Mindanao, the country's southernmost island.

WMC said it was only the second FTAA agreement, permitting a foreign-owned company to explore in the Philippines, granted by the government. If a viable deposit is discovered, 60 per cent of pre-tax net revenues will go to the government and landowners, and 40 per cent to WMC.

after the recovery of capital and operating expenditure incurred in development.

The company's statement on the area's prospects was cautious - although there have already been more inflated reports in Australia. It said that the zone's geology was prospective for copper and gold mineralisation and that a limited portion of the area had been subject to some exploration work under an agreement with previous mineral claim holders.

That had "identified a significant zone of alteration, within which are several outcrops of low-grade gold-copper mineralisation". WMC said that would commence "shortly".

France backs cocoa producers

By James Harding

France yesterday promised to fight to keep non-cocoa vegetable fats out of European chocolate, a position likely to stall recent efforts to update the European Union chocolate directive.

Speaking at a conference of cocoa growers in Abidjan, Ms Christiane Izuel, a French economy ministry official said: "On the question of incorporation in chocolate products of vegetable fats other than cocoa butter... the authorities are clear: if necessary, they oppose it."

Ivory Coast, which is hosting the conference, along with other West African cocoa producers have been lobbying the European Commission not to reform the 1973 chocolate directive to allow up to 5 per cent vegetable fats other than cocoa butter in chocolate production. EU rules now require chocolate producers to use only cocoa, cocoa butter, milk and sugar, but a few members are exempt and include small amounts of other vegetable fats.

The French statement indicates that even if the Commission pushes through a draft revision of the directive as planned this year, the West African cocoa growers will have a strong ally to oppose the changes in the council.

French officials said the reasons for their opposition to the reform, requested by the Council at the Edinburgh summit three years ago to iron out the inequalities for producers, were obligations to protect European consumers and cocoa producers worldwide.

Ivory Coast estimates cocoa production could lose as much as \$30m annually if European chocolate makers were permitted to use cocoa butter substitutes.

The International Cocoa Organisation estimated that cocoa producers' incomes could fall by 12 per cent by 2000 if the EU reforms went ahead.

Foreign mining companies pour money into Peru

By Kenneth Gooding, Mining Correspondent, in Bat Harbour

Money is pouring into Peru to fuel an anticipated mining boom that will see spending on mining projects over the next 10 years total at least US\$8.7bn.

According to Mr Amado Yatazo Medina, Peru's vice-minister of energy and mines, spending on exploration will account for \$1.8bn of the total, a further \$2.2bn will go to expand existing projects and \$4.7bn is earmarked for new projects.

Peru's mining history dates back to the Incas' search for gold but in the 20 years from 1970 foreign investment came to a virtual halt because of the government's nationalisation programmes and terrorist

activity by the so-called Shining Path guerrillas. Now, following sweeping reforms by President Fujimori, terrorism is on the wane and a privatisation programme is expected to raise \$2.3bn while encouraging more foreign investment.

Speaking at the Investing in the Americas conference here, Mr Medina predicted that the value of annual metal production in Peru in the ten-year period would more than double from \$2bn to about \$5bn.

Exports would double in value to \$4bn. This jump in value would be helped by an increase in copper production from 400,000 to 800,000 tonnes a year while gold output would double to over 2m troy ounces.

At present about 80 mining companies are exploring in Peru, many looking for gold.

The interest of potential foreign investors has been overwhelming. On one day in January, 6,000 mining claims covering 500 hectares were sold for \$10m. RTZ, the world's biggest mining company, was the biggest buyer. This rush came because the claims process was stopped for a while so that the authorities could catch up with previous demand. Between September 1992 and May 1994 there were 7,572 applications for exploration concessions - equivalent to 86 per cent of all the exploration concessions previously assigned in Peru.

In contrast to Peru, annual exploration spending in Brazil has dropped from \$106m in the 1980s to \$65m for the past five years. Mr Jose Luis Perez Garido, Brazil's vice minister of mines, predicted, however, that

his country would soon have a mining boom of its own because the government was determined to make changes to the 1966 Constitution, blamed by foreign mining companies for their lack of interest in Brazil.

Representatives of state-owned CVRD, Brazil's biggest company, and the garimpeiros, or small, "pick and shovel" miners, joined the minister in urging the 1,200 delegates from 46 countries at the conference to invest in Brazil. Ms Marieni Maria Piques, president of the Tapajós Garimpeiros Gold Association, and Mr Helcio Roberto Martins Guerra, superintendent of precious metals, CVRD, each said joint venture gold projects were available. Ms Piques promised that the garimpeiros would "offer

decades of experience" to help foreign investors in their search for gold.

Mr Guerra said CVRD had set itself a tough target: boosting its gold production from 550,000 troy ounces in 1985 to 1m ounces by the end of the decade. To this end it had spent \$30m on gold exploration in each of the past three years and recently decided to seek joint ventures on ten projects. Some big international gold mining companies had been contacted and encouraged to come forward with offers.

Mr Garido, the minister, had previously repeated that the government intended to study the various options about how that might be achieved would be available soon.

Genetic patenting opens up a moral minefield

David Spark on fears that improved varieties will be out of the reach of poor farmers

Banana palms resistant to the devastating fungal disease black sigatoka are to be genetically engineered by the British multinational Zeneca Seeds and the University of Leuven, Belgium.

This could mean bigger crops and cut the use of pesticides. In some areas, bananas are sprayed every fortnight to keep black sigatoka at bay.

The resistant banana also has a bearing on the international controversy over the patenting of new genetically-engineered plants.

Zeneca will license the resistance mechanism for commercial growers. Leuven can employ it free for small-scale banana and plantain growers in Africa.

But the outcome may not always be so neat. Many people fear that patenting will put genetically engineered plants out of reach of the poor farmers in poor countries who need them to grow more food and make more money. And, even if an innovation is free, it still needs adapting to the situations in which it is to be used.

It may not be so adapted if the market is small and the breeder's rights in it are unprotected.

The fear concerning patents was latched by the grant to an American firm, Agracetus, of a patent covering all genetically modified plants. The US Patent Office is now seeking to revoke it.

Internationally-financed research institutes in the Consultative Group on International Agricultural Research have traditionally offered plant material free to breeders and other researchers. But two-thirds of research in agricultural biotechnology now takes place at private sector companies, which need to make their research pay.

It is possible for countries without a law on plant breeders' rights to make use of a patented innovation. For example, Zeneca along with Calgene in the US has patented a technique for delaying the softening of tomatoes, so that they last longer and taste better. It would be possible for a researcher to buy a Calgene tomato in the US and use the

seed to produce a longer-lasting variety for the tomato growers of North Ghana, 800km from their Accra market.

However, the latest General Agreement on Tariffs and Trade settlement puts pressure on member countries to introduce laws protecting plant varieties, though the poorest countries are allowed ten years' delay. Breeders can in any event act against unlicensed use of their innovations in internationally traded products.

Mr Tim Roberts, intellectual property manager at Zeneca Seeds, says what plant breeders need is protection for specific innovations. Zeneca Seeds cannot simply finance research out of profits. But it is not going to be in a breeder's interest to charge so much for an innovation that it is not used.

He is not in favour, however, of blanket patents such as Agracetus obtained covering genetically engineered cotton.

Mr Roberts is a member of the international Crucible Group, which brings together researchers, commercial inter-

ests, government and non-governmental organisations. It has just produced a report *People, Plants and Patents* to air the issues.

Mr Geoff Hawlin, director general of the International Genetic Resources Institute in Rome, who chairs Crucible's management committee, accepts that private companies are better than the public sector at producing and distributing seeds. But he wants a system that shares benefits fairly. He is worried by increasing restrictions on the movement of genetic resources. What will happen, he asks, if a crop variety contains up to 30 different patented genes?

Mr Roberts replies that there are probably several hundred patents covering television sets but that does not stop them being sold.

In a note in *People, Plants and Patents*, he argues for defensive publication, whereby innovators and seedbanks not wanting to patent their innovations should publish them, thereby stopping others from patenting them.

The book shows the differing interests involved. There are: ● Researchers who need free access to genetic material; ● Countries where useful plants have been found; ● Farmers whose innovations (for example, coloured cotton) may be commercially exploited by someone else; ● Farmers who traditionally save seed from one year to the next and supply neighbours; ● Then there are companies that do not want their innovations pilfered by local seed merchants claiming to be seed-saving farmers.

Genetic engineering has been presented as a technology that can feed the world. The question being raised is whether its products will be available to and affordable by poor farmers.

People, Plants and Patents, by The Crucible Group, published by the International Development Research Centre, Ottawa: obtainable in UK from IT Book Shop, 108 Southampton Row, London WC1R 4EH. £9.95 (25 with post and packing within the UK).

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

● ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 1796-7 1804-8

Previous 1822-3 1824-5

High/Low 1793 1860/1805

AM Official 1763-4 1816-5.5

Kerb close 1763-4 1816-5.5

Open int. 214-201

Total daily turnover 53,857

● ALUMINIUM ALLOY (\$ per tonne)

Cash 1820-5 1820-5

Previous 1825-35 1830-40

High/Low 1825 1825

AM Official 1830-5 1820-5

Kerb close 1830-5 1815-20

Open int. 2,824

Total daily turnover 847

● LEAD (\$ per tonne)

Cash 595-6 600-1

Previous 599-600 613-580

High/Low 595-6 601-2

AM Official 595-6 601-2

Kerb close 595-6 601-2

Open int. 36,230

Total daily turnover 2,741

● NICKEL (\$ per tonne)

Cash 7535-45 7670-90

Previous 7650-80 7780-750

High/Low 7511-7510 7730/7500

AM Official 7511-7510 7650-80

Kerb close 7511-7510 7650-80

Open int. 59,498

Total daily turnover 13,051

● TIN (\$ per tonne)

Cash 5550-60 5710-20

Previous 5750-70 5900-20

High/Low 5630-40 5760/5640

AM Official 5630-40 5760-20

Kerb close 5630-40 5760-20

Open int. 19,772

Total daily turnover 4,653

● ZINC, expected High grade (\$ per tonne)

Cash 1013-4 1040-1

Previous 1018-9 1041-2

High/Low 1000-5-15 1027-8

AM Official 1000-5-15 1027-8

Kerb close 1000-5-15 1027-8

Open int. 97,196

Total daily turnover 13,852

● COPPER, grade A (\$ per tonne)

Cash 2867-8 2918-9

Previous 2946-7 2958-9

High/Low 2863-8 2958-9

AM Official 2863-8 2958-9

Kerb close 2863-8 2958-9

Open int. 281,546

Total daily turnover 18,818

● LME AM Official 25 rate: 1.8128

LME Closing 25 rate: 1.8100

Spot: 1.858 3 mths: 1.846 6 mths: 1.818 9 mths: 1.883

● HIGH GRADE COPPER (COMO)

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Previous 2946-7 2958-9

High/Low 2863-8 2958-9

AM Official 2863-8 2958-9

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● LME AM Official 25 rate

Treasuries rebound on home sales data

KfW taps the dollar sector with 10-year offering

per share expressed in currency of share at conversion rate fixed at issue. Premium-Percentage premium of the present. Data supplied by International Securities Market Association.

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Bank of England outlines plan to buy gilt repo market

CURRENCIES AND MONEY

MARKETS REPORT

Fed inactivity puts dollar under renewed pressure

The dollar was under renewed pressure on the foreign exchange market yesterday following the decision on Tuesday by the Federal Reserve to leave US interest rates unchanged.

Although widely expected, the decision still served as confirmation of market fears that the Fed is unconcerned about the level of the dollar. It also reduced hopes of any concerted move in interest rates by G3 countries to support the dollar.

The D-Mark was the beneficiary of fresh dollar weakness, finishing higher against most currencies. The main victim was the Swedish krona which fell to a new historic low of SKr5.34, before finishing in London at SKr5.31.

The dollar finished over two pence down from its previous close at DM1.3773, from DM1.3927 against the yen it finished at Y88.115, from Y88.23, after testing the previous low of Y88.

The weaker dollar pulled

sterling lower. It closed in London at DM1.2212, from DM1.2404. It was firmer against the dollar, finishing at \$1.6128 from \$1.6007.

Attention today will return to the Bundesbank council. There were indications yesterday that the market was less sure than previously that the Bundesbank would not trim the repo rate.

The background to today's Bundesbank meeting is well known. As Mr David Coleman, chief economist at CIBC in London, notes: "The D-Mark has appreciated by over 5 per cent on a trade-weighted basis since the beginning of the year, though this masks some even sharper movements in a number of bilateral exchange

rates. Against the lira, for example, it is up 18 per cent, while against the dollar it has risen 11 per cent and against the pound it is up 8 per cent."

Taken over the last year, the D-Mark has risen by 18 per cent against the dollar and 24 per cent against the lira.

Some observers believe this constitutes an argument for lower interest rates. As Mr Umar Isah, the influential Bundesbank council member, told the German magazine Finanz, a stronger D-Mark would lead to a "clear slowing of economic growth."

He made clear, though, that if German rates are lowered, it will be because of domestic considerations, not the dollar. "We have to do everything possible to avoid creating an impression that we want to solve problems caused elsewhere also by keeping our interest rates low," said Mr Isah. He also said that any attempt to cope with currency misalignments through

Swedish krona

Against the D-Mark (DM100)



Source: FT Graphics

strong and stable dollar.

Mr John Gallagher, director of IDRA, the financial markets consultancy, said domestic policy in two of the major countries was pressurising the dollar lower. "The Fed won't react to a weak dollar by tightening, and the Bundesbank doesn't look willing to respond to a stronger D-Mark by cutting rates," he said.

Mr Gallagher said that even if the Bundesbank did trim its rates, this might not help the dollar much. He said recent research showed that a 75 basis point cut in German rates was encouraging their impact on the currency is largely negated by sizeable capital outflows necessary to support Sweden's

foreign debt.

With potentially poor FPI figures due for release today, the krona could come under further pressure, especially as currency weakness is itself fuelling higher inflation.

Mr Mike Christensen, analyst at Technical Data in London, said the central bank needed to raise short-term rates by 75 basis points to support the currency. He predicted that this might follow its council meeting today.

The Bank of England cleared a daily money market shortage of £700m at established rates. Three month LIBOR traded at 6 1/2 per cent. The June short sterling contract slipped to 92.65, from 92.7.

POUND SPOT FORWARD AGAINST THE POUND

Mar 29	Closing	Change	On day	One month	Three months	One year	Bank of
Europe	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Australia	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Canada	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
France	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Germany	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Greece	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
India	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Italy	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Japan	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
South Africa	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Spain	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Sweden	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Switzerland	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
UK	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
USA	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 29	Closing	Change	On day	One month	Three months	One year	J.P. Morgan
Europe	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Australia	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Canada	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
France	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Germany	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Greece	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
India	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Italy	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Japan	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
South Africa	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Spain	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Sweden	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Switzerland	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
UK	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
USA	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 29	Close	Change	On day	One month	Three months	One year	Bank of
Belgium	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Denmark	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
France	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Germany	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Italy	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Netherlands	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Norway	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Portugal	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Spain	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Sweden	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
Switzerland	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
UK	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2
USA	15.6318	-0.1365	250 - 285	15.6303	15.5994	15.6194	1.2

UK INTEREST RATES

LONDON MONEY RATES

Mar 29	Overnight	One month	Three months	Six months	One year
Interbank Sterling	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Treasury Bills	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank Bills	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Local authority bills	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Discount Market	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4

EURO CURRENCY INTEREST RATES

Mar 29

Rate	One month	Three months	Six months	One year
Belgium	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Denmark	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
France	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Germany	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Italy	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Netherlands	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Norway	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Portugal	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Spain	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Sweden	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Switzerland	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
UK	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
USA	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4

BASE LENDING RATES

Mar 29

Rate	One month	Three months	Six months	One year
Adrian & Company	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of England	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Barclays Bank	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Ireland	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Scotland	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Wales	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Cyprus	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Greece	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of India	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Japan	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Korea	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Malaysia	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of New Zealand	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Norway	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Portugal	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Spain	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Sweden	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Switzerland	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Taiwan	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of Thailand	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Philippines	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of China	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Korea	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Singapore	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Vietnam	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Indonesia	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Malaysia	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Brunei	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Cambodia	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Laos	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Myanmar	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Thailand	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Vietnam	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Cambodia	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Laos	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Myanmar	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Thailand	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Vietnam	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Cambodia	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Laos	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Myanmar	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Thailand	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Vietnam	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Cambodia	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Laos	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Myanmar	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Thailand	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Vietnam	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Cambodia	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Bank of the Republic of Laos	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/

TRANSPORT - Cont

171	10	804.3	5.5
478	271.5	354.8	3.3
534	358	1,147	3.4
281	145	126.8	3.5
347	245	5.3	2.2
305	45	484.4	8.1
348	244	28.0	5.5
91	58	3,889	8.7
243	348	121.5	3.7
309	183	81.3	7.8
143	157	23.9	3.4
183	38		

WATER

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PHE **SOUTH AFRICANS**

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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BERMUDA (SIB RECOGNISED)

Symbol	Index	Option	Buy/Sell	Expir	W
	Change		Price		%
Fixed Income Funds					
Putnam Fund, Prudential, Intermediate					
US Govt Advantage (003) 41-4481					
Putnam Capital (003) 41-4481					
Putnam Income (003) 41-4481					
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ANZ Mercant Co (Guernsey) Ltd				
Number 100, Leeward Rd, P.O. Box 111, 11, 11, 11				

[illegible]**GUERNSEY (SIB RECOGNISED)**[illegible]**IRELAND** (SIB RECOGNISED)

ST	Price	Volume	Change	% Chg	High	Low	Open	Close	Net Chg	Net % Chg
BT Plant Managers (Overseas) Ltd										
100 Hancock Drive, Dublin 2									00 2837 7000	
BT Plant Accounts Paid	57.25	7.81	0.00	0.00						
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[illegible]**IRELAND (REGULATED) (*)**[illegible][illegible]

U.S. Bancorp	\$4.79	+0.58
Uster Bank Investment Services		

[illegible][illegible]

City Fuel Ltd	3	101.09	103.00	-1.90	7.00
Country Stores	3	98.52	102.85	-4.33	7.87

[illegible][illegible]

Equity	\$7.17	1.20	-0.02	0.2
Equity	\$7.17	1.20	-0.02	0.2

[illegible][illegible]

ESCO International Limited (u)
271 St. Helier, Jersey

[illegible]

Japan Return Investment Fund				
Japan Investment Fund		25,000 Shares		
1977		1978		
Japan Global Fund (a)	21,450	21,772	28,811	
Japan Global Fund (b)	21,450	21,772	28,811	
Japan Global Fund (c)	21,450	21,772	28,811	
Japan Global Fund (d)	21,450	21,772	28,811	
Japan Global Fund (e)	21,450	21,772	28,811	
Japan Global Fund (f)	21,450	21,772	28,811	
Japan Global Fund (g)	21,450	21,772	28,811	
Japan Global Fund (h)	21,450	21,772	28,811	
Japan Global Fund (i)	21,450	21,772	28,811	
Japan Global Fund (j)	21,450	21,772	28,811	
Japan Global Fund (k)	21,450	21,772	28,811	
Japan Global Fund (l)	21,450	21,772	28,811	
Japan Global Fund (m)	21,450	21,772	28,811	
Japan Global Fund (n)	21,450	21,772	28,811	
Japan Global Fund (o)	21,450	21,772	28,811	
Japan Global Fund (p)	21,450	21,772	28,811	
Japan Global Fund (q)	21,450	21,772	28,811	
Japan Global Fund (r)	21,450	21,772	28,811	
Japan Global Fund (s)	21,450	21,772	28,811	
Japan Global Fund (t)	21,450	21,772	28,811	
Japan Global Fund (u)	21,450	21,772	28,811	
Japan Global Fund (v)	21,450	21,772	28,811	
Japan Global Fund (w)	21,450	21,772	28,811	
Japan Global Fund (x)	21,450	21,772	28,811	
Japan Global Fund (y)	21,450	21,772	28,811	
Japan Global Fund (z)	21,450	21,772	28,811	

Food	\$7.39	-0.04	3.32
Alcohol & Tobacco			
Apparel			
Auto & Transport	\$55.00	-	6.74

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MARKETS

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LONDON STOCK EXCHANGE

MARKET REPORT

Strong close to an uncertain trading session

By Terry Byland
UK Stock Market Editor

London stocks moved ahead sharply yesterday at the close of a trading session passed beneath the shadow of this morning's meeting of the Bundesbank policy council. Doubts among global analysts that the Bundesbank will cut rates were reflected in weakness in dollar stocks and firmness in D-Mark oriented issues.

Share prices moved erratically in the wake of the decision overnight by the US Federal Reserve to leave its own key interest rates unchanged. At mid-morning the stock market extended early falls to

17 points on the Footsie scale following a poor reception for the auction of £2bn of British government securities.

But the stock market rallied strongly in the final hour of trading, spurred on when the Seag screens showed details of several heavyweight buy programmes. The final reading put the FT-SE 100 share index at 3,421.3 with an advance on the day of 14 points.

Traders believed that the trading programmes reflected the latest input of cash from the Glaxo-Wellcome deal. Glaxo's \$9bn-plus purchase included nearly \$6bn in cash which will boost the investment of

At least one leading UK securities house was thought to have put through a large programme at mid-session, although the market had to wait until the close of trading for official reporting of the deals.

The trading programmes boosted the Seag daily volume total to 959.3m shares, a level associated with bull market conditions. On Tuesday, Seag trade of \$38.9m was worth £1.4bn in retail business to the London based securities community.

Also encouraging London was a bullish opening on Wall Street which took the Dow Jones Industrial Average ahead by 37 points to new trading peaks in London hours.

The late upswing came mostly in the Footsie-listed stocks, and the wider market was somewhat left behind. At a closing reading of 3,421.3, the FT-SE Mid 250 index showed a gain of only 5.6 points and non-Footsie deals made up only 56 per cent of the day's business, some way below recent daily averages.

Corporate results played a less dominating role than in some recent sessions, but increased dividend payouts from Next, the retailer, and from Coats Viyella and Blue Circle, sustained favourable valuations of equities.

Among the more speculative issues, Fisons raced ahead as long-standing bid hopes suddenly

came into sharper focus. The company has been perceived as an almost certain takeover target as it has trimmed itself down to core pharmaceutical activities.

Although expecting UK equities to open firmly this morning, some analysts warned that yesterday's session had been a difficult one, with marketmakers unwilling to take risks now that the close of the first trading quarter of 1995 is at hand. London was to some extent caught between the US Federal Reserve and the Bundesbank, with renewed uncertainty in currencies also discouraging marketmakers from taking on big positions in the international blue chip stocks.

FT-SE-A All-Share Index



Source: FT Graphics

Indices and ratios

FT-SE 100	3142.3	+14.0
FT-SE Mid 250	3421.3	+5.6
FT-SE-A All-Share	1508.43	+5.49
FT-SE-A All-Share yield	4.16	(4.17)

Best performing sectors

1. Spirits, Wines & Cider	+1.5
2. Textiles & Apparel	+1.4
3. Retailers, Food	+1.4
4. Building Materials	+1.2
5. Health Care	+1.1

Equity Shares Traded



Turnover by volume (mln) Excluding

inter-market trades and overseas turnover

FT Ordinary index

FT-SE-A Non Fins p/e

FT-SE 100 FT Jun

10 yr Gilt yield

Long gilt/equity yld ratio

Worst performing sectors

1. Household Goods	-0.7
2. Insurance	-0.6
3. Life Assurance	-0.6
4. Electricity	-0.3
5. Investment Trusts	-0.2

Wellcome
cheques
due

Business in the London market was enlivened in late trading as a number of large programme trades appeared on the Seag electronic ticker.

The trades, estimated by one senior dealer to be "in excess of £500m", were partly attributed to financial adjustment at the end of the financial year. They were also said to represent an influx of cash from shareholders of Wellcome who have benefited from the \$9bn-plus bid from Glaxo.

Cheques relating to the bid and worth a total of £5.5bn will be sent out today and land on fund managers' desks tomorrow - for every 100 Wellcome shares an investor will receive £72 and 47 Glaxo shares. But as investors have 10 days to settle their accounts, many of them are believed to have allocated their assets yesterday before getting the cash.

Conviction that the pharmaceuticals sector has already discounted the shift of funds left the sector uncertain, and weakness was fuelled by a change of stance by SGST, which turned from positive to neutral.

"The sector has been carried forward on the expectation of Wellcome money and is now looking a little tired. We detect that some people are wanting to pocket some profits," said Stratus.

The market was buzzing with stories just before the

close of trading that North West Water, the biggest of the water companies, was about to unveil a rebate to water consumers and to accompany this with a special 50p a share payment to shareholders.

The feeling is that North West would find it very difficult to return capital to shareholders without making a gesture to customers," said one utilities specialist.

North West directors have been talking to institutions in London throughout the week. North West shares edged up a penny to 529p in good turnover of 1.4m shares.

The long-overlooked building areas of the market staged a strong comeback yesterday, with the materials and construction sectors providing the top and third best performers in the FT-SE 100 index - Blue Circle and Redland - plus a sprinkling of outperformers in the FT-SE Mid 250 index.

Blue Circle easily outstripped the rest of the FT-SE 100 constituents after the group posted top of the range profits and a better than expected dividend performance. The market's satisfaction with the Blue Circle numbers triggered equally keen interest in Redland, which is scheduled to report preliminary figures this morning.

Blue Circle raced up 10, or 3.5 per cent, to 294p on much higher than usual turnover of 4.9m, the third highest over the past year. Redland closed 12p firmer at 467p; preliminary pre-tax profits are confidently expected to come in more than 30 per cent higher at around £270m, RMC, third largest of the UK's building materials groups by market capitalisa-

tion, rose 15 to 1011p. Rugby Group, the cement manufacturer, took third position in the Mid 250 performance table, closing 5, or 4.4 per cent, higher at 119p, with some analysts pointing to the group's attractive rating and defensive qualities.

Pharmaceuticals group Fisons jumped 7% to 180p, its highest level for more than 18 months, as dealers talked of a bid worth over 200p a share. Turnover of 10m shares was above the daily average range.

A number of companies were being suggested yesterday. Zeneca was believed to be interested and some analysts also cited Hoechst, BASF and Ciba. Others believe Medeva could have much to gain from a link-up but is unlikely to be able to afford the £1bn price tag and would probably be more interested in a merger or joint venture - both of which would be of little value

to Fisons shares. Many analysts remained sceptical of the rumours, however, and one argued that Fisons' sale of its pharmaceutical research and development activities last week had dimmed profits growth prospects. Fisons said earlier this month it was looking to sell its laboratories supplies arm and analysts expect a deal to be concluded soon. Zeneca was flat at 180p and Medeva added a penny at 215p.

The keenest interest in the banks sector was shown in Abbey National and Lloyds where some large-scale switching activity was said by marketmakers to have been triggered by a recommendation from the banks team at Nomura. The switching resulted in Abbey National climbing 10 to 470p on heavy turnover of 5.6m shares and Lloyds slipping 6 to 599p on 1.5m shares.

FINANCIAL TIMES EQUITY INDICES

	Mar 29	Mar 28	Mar 27	Mar 24	Mar 23	Yr ago	High	Low
Ordinary Share	2405.9	2395.4	2417.4	2413.0	2398.7	2445.5	2713.6	2238.3
Ord. div. yield	4.39	4.42	4.38	4.39	4.42	3.90	4.66	3.43
Earn. vol. %	7.15	7.19	7.12	7.15	7.19	5.18	7.29	3.82
P/E ratio net	16.86	16.57	16.72	16.67	16.58	20.94	33.43	15.11
P/E ratio nt	16.48	16.39	16.54	16.49	16.39	21.62	30.80	16.77

WORLD STOCK MARKETS

EUROPE									
FRANCE (Mar 29 / Fri)									
Alcatel	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
Alcatel	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
GERMANY (Mar 29 / Fri)									
Adidas	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
Adidas	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
UNITED KINGDOM (Mar 29 / Fri)									
Adidas	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
Adidas	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
ASIA									
HONG KONG (Mar 29 / Fri)									
Adidas	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
Adidas	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
TOKYO (Mar 29 / Fri)									
Adidas	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195
Adidas	1,200	-5	1,195	1,200	1,195	1,200	1,195	1,200	1,195

INDICES									
1994/5					1994/5				
	Mar 29	Mar 28	Mar 27	High	Low		Mar 29	Mar 28	Mar 27
High					Low				
Argentina						Japan	1370.0	1324.4	1265.7
Brazil						Topix	1700.0	1615.4	1524.3
Canada						2nd Section	1081.0	1041.0	1000.0
Chile						Midcap	1081.0	1041.0	1000.0
Colombia						Midcap	1081.0	1041.0	1000.0
Czech Rep.						Midcap	1081.0	1041.0	1000.0
Denmark						Midcap	1081.0	1041.0	1000.0
Egypt						Midcap	1081.0	1041.0	1000.0
France						Midcap	1081.0	1041.0	1000.0
Germany						Midcap	1081.0	1041.0	1000.0
Greece						Midcap	1081.0	1041.0	1000.0
Hong Kong						Midcap	1081.0	1041.0	1000.0
India						Midcap	1081.0	1041.0	1000.0
Indonesia						Midcap	1081.0	1041.0	1000.0
Italy						Midcap	1081.0	1041.0	1000.0
Japan						Midcap	1081.0	1041.0	1000.0
Korea						Midcap	1081.0	1041.0	1000.0
Malaysia						Midcap	1081.0	1041.0	1000.0
Mexico						Midcap	1081.0	1041.0	1000.0
Netherlands						Midcap	1081.0	1041.0	1000.0
New Zealand						Midcap	1081.0	1041.0	1000.0
Norway						Midcap	1081.0	1041.0	1000.0
Philippines						Midcap	1081.0	1041.0	1000.0
Poland						Midcap	1081.0	1041.0	1000.0
Portugal						Midcap	1081.0	1041.0	1000.0
Romania						Midcap	1081.0	1041.0	1000.0
Russia						Midcap	1081.0	1041.0	1000.0
Saudi Arabia						Midcap	1081.0	1041.0	1000.0
South Africa						Midcap	1081.0	1041.0	1000.0
Spain						Midcap	1081.0	1041.0	1000.0
Sweden						Midcap	1081.0	1041.0	1000.0
Switzerland						Midcap	1081.0	1041.0	1000.0
Taiwan						Midcap	1081.0	1041.0	1000.0
Thailand						Midcap	1081.0	1041.0	1000.0
Turkey						Midcap	1081.0	1041.0	1000.0
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U.S. 10Yr						Midcap	1081.0	1041.0	1000.0
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3:30 pm Mar

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Continued on next page

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NYSE COMPOSITE PRICES

3:30 pm March 29

Stock	Chg.	High	Low	Open	Close	Volume	Chg.	High	Low	Open	Close	Volume
Continued from previous page												
48 1/2% S&P 500	0.04	1.8	1.8	1.8	1.8	1.8	0.04	1.8	1.8	1.8	1.8	1.8
2 1/4% S&P 500	0.01	0.1	0.1	0.1	0.1	0.1	0.01	0.1	0.1	0.1	0.1	0.1
10% S&P 500	0.02	0.2	0.2	0.2	0.2	0.2	0.02	0.2	0.2	0.2	0.2	0.2
15% S&P 500	0.03	0.3	0.3	0.3	0.3	0.3	0.03	0.3	0.3	0.3	0.3	0.3
20% S&P 500	0.04	0.4	0.4	0.4	0.4	0.4	0.04	0.4	0.4	0.4	0.4	0.4
25% S&P 500	0.05	0.5	0.5	0.5	0.5	0.5	0.05	0.5	0.5	0.5	0.5	0.5
30% S&P 500	0.06	0.6	0.6	0.6	0.6	0.6	0.06	0.6	0.6	0.6	0.6	0.6
35% S&P 500	0.07	0.7	0.7	0.7	0.7	0.7	0.07	0.7	0.7	0.7	0.7	0.7
40% S&P 500	0.08	0.8	0.8	0.8	0.8	0.8	0.08	0.8	0.8	0.8	0.8	0.8
45% S&P 500	0.09	0.9	0.9	0.9	0.9	0.9	0.09	0.9	0.9	0.9	0.9	0.9
50% S&P 500	0.10	1.0	1.0	1.0	1.0	1.0	0.10	1.0	1.0	1.0	1.0	1.0
55% S&P 500	0.11	1.1	1.1	1.1	1.1	1.1	0.11	1.1	1.1	1.1	1.1	1.1
60% S&P 500	0.12	1.2	1.2	1.2	1.2	1.2	0.12	1.2	1.2	1.2	1.2	1.2
65% S&P 500	0.13	1.3	1.3	1.3	1.3	1.3	0.13	1.3	1.3	1.3	1.3	1.3
70% S&P 500	0.14	1.4	1.4	1.4	1.4	1.4	0.14	1.4	1.4	1.4	1.4	1.4
75% S&P 500	0.15	1.5	1.5	1.5	1.5	1.5	0.15	1.5	1.5	1.5	1.5	1.5
80% S&P 500	0.16	1.6	1.6	1.6	1.6	1.6	0.16	1.6	1.6	1.6	1.6	1.6
85% S&P 500	0.17	1.7	1.7	1.7	1.7	1.7	0.17	1.7	1.7	1.7	1.7	1.7
90% S&P 500	0.18	1.8	1.8	1.8	1.8	1.8	0.18	1.8	1.8	1.8	1.8	1.8
95% S&P 500	0.19	1.9	1.9	1.9	1.9	1.9	0.19	1.9	1.9	1.9	1.9	1.9
100% S&P 500	0.20	2.0	2.0	2.0	2.0	2.0	0.20	2.0	2.0	2.0	2.0	2.0
105% S&P 500	0.21	2.1	2.1	2.1	2.1	2.1	0.21	2.1	2.1	2.1	2.1	2.1
110% S&P 500	0.22	2.2	2.2	2.2	2.2	2.2	0.22	2.2	2.2	2.2	2.2	2.2
115% S&P 500	0.23	2.3	2.3	2.3	2.3	2.3	0.23	2.3	2.3	2.3	2.3	2.3
120% S&P 500	0.24	2.4	2.4	2.4	2.4	2.4	0.24	2.4	2.4	2.4	2.4	2.4
125% S&P 500	0.25	2.5	2.5	2.5	2.5	2.5	0.25	2.5	2.5	2.5	2.5	2.5
130% S&P 500	0.26	2.6	2.6	2.6	2.6	2.6	0.26	2.6	2.6	2.6	2.6	2.6
135% S&P 500	0.27	2.7	2.7	2.7	2.7	2.7	0.27	2.7	2.7	2.7	2.7	2.7
140% S&P 500	0.28	2.8	2.8	2.8	2.8	2.8	0.28	2.8	2.8	2.8	2.8	2.8
145% S&P 500	0.29	2.9	2.9	2.9	2.9	2.9	0.29	2.9	2.9	2.9	2.9	2.9
150% S&P 500	0.30	3.0	3.0	3.0	3.0	3.0	0.30	3.0	3.0	3.0	3.0	3.0
155% S&P 500	0.31	3.1	3.1	3.1	3.1	3.1	0.31	3.1	3.1	3.1	3.1	3.1
160% S&P 500	0.32	3.2	3.2	3.2	3.2	3.2	0.32	3.2	3.2	3.2	3.2	3.2
165% S&P 500	0.33	3.3	3.3	3.3	3.3	3.3	0.33	3.3	3.3	3.3	3.3	3.3
170% S&P 500	0.34	3.4	3.4	3.4	3.4	3.4	0.34	3.4	3.4	3.4	3.4	3.4
175% S&P 500	0.35	3.5	3.5	3.5	3.5	3.5	0.35	3.5	3.5	3.5	3.5	3.5
180% S&P 500	0.36	3.6	3.6	3.6	3.6	3.6	0.36	3.6	3.6	3.6	3.6	3.6
185% S&P 500	0.37	3.7	3.7	3.7	3.7	3.7	0.37	3.7	3.7	3.7	3.7	3.7
190% S&P 500	0.38	3.8	3.8	3.8	3.8	3.8	0.38	3.8	3.8	3.8	3.8	3.8
195% S&P 500	0.39	3.9	3.9	3.9	3.9	3.9	0.39	3.9	3.9	3.9	3.9	3.9
200% S&P 500	0.40	4.0	4.0	4.0	4.0	4.0	0.40	4.0	4.0	4.0	4.0	4.0
205% S&P 500	0.41	4.1	4.1	4.1	4.1	4.1	0.41	4.1	4.1	4.1	4.1	4.1
210% S&P 500	0.42	4.2	4.2	4.2	4.2	4.2	0.42	4.2	4.2	4.2	4.2	4.2
215% S&P 500	0.43	4.3	4.3	4.3	4.3	4.3	0.43	4.3	4.3	4.3	4.3	4.3
220% S&P 500	0.44	4.4	4.4	4.4	4.4	4.4	0.44	4.4	4.4	4.4	4.4	4.4
225% S&P 500	0.45	4.5	4.5	4.5	4.5	4.5	0.45	4.5	4.5	4.5	4.5	4.5
230% S&P 500	0.46	4.6	4.6	4.6	4.6	4.6	0.46	4.6	4.6	4.6	4.6	4.6
235% S&P 500	0.47	4.7	4.7	4.7	4.7	4.7	0.47	4.7	4.7	4.7	4.7	4.7
240% S&P 500	0.48	4.8	4.8	4.8	4.8	4.8	0.48	4.8	4.8	4.8	4.8	4.8
245% S&P 500	0.49	4.9	4.9	4.9	4.9	4.9	0.49	4.9	4.9	4.9	4.9	4.9
250% S&P 500	0.50	5.0	5.0	5.0	5.0	5.0	0.50	5.0	5.0	5.0	5.0	5.0
255% S&P 500	0.51	5.1	5.1	5.1	5.1	5.1	0.51	5.1	5.1	5.1	5.1	5.1
260% S&P 500	0.52	5.2	5.2	5.2	5.2	5.2	0.52	5.2	5.2	5.2	5.2	5.2
265% S&P 500	0.53	5.3	5.3	5.3	5.3	5.3	0.53	5.3	5.3	5.3	5.3	5.3
270% S&P 500	0.54	5.4	5.4	5.4	5.4	5.4	0.54	5.4	5.4	5.4	5.4	5.4
275% S&P 500	0.55	5.5	5.5	5.5	5.5	5.5	0.55	5.5	5.5	5.5	5.5	5.5
280% S&P 500	0.56	5.6	5.6	5.6	5.6	5.6	0.56	5.6	5.6	5.6	5.6	5.6
285% S&P 500	0.57	5.7	5.7	5.7	5.7	5.7	0.57	5.7	5.7	5.7	5.7	5.7
290% S&P 500	0.58	5.8	5.8	5.8	5.8	5.8	0.58	5.8	5.8	5.8	5.8	5.8
295% S&P 500	0.59	5.9	5.9	5.9	5.9	5.9	0.59	5.9	5.9	5.9	5.9	5.9
300% S&P 500	0.60	6.0	6.0	6.0	6.0	6.0	0.60	6.0	6.0	6.0	6.0	6.0
305% S&P 500	0.61	6.1	6.1	6.1	6.1	6.1	0.61	6.1	6.1	6.1	6.1	6.1
310% S&P 500	0.62	6.2	6.2	6.2	6.2	6.2	0.62	6.2	6.2	6.2	6.2	6.2
315% S&P 500	0.63	6.3	6.3	6.3	6.3	6.3	0.63	6.3	6.3	6.3	6.3	6.3
320% S&P 500	0.64	6.4	6.4	6.4	6.4	6.4	0.64	6.4	6.4	6.4	6.4	6.4
325% S&P 500	0.65	6.5	6.5	6.5	6.5	6.5	0.65	6.5	6.5	6.5	6.5	6.5
330% S&P 500	0.66	6.6	6.6	6.6	6.6	6.6	0.66	6.6	6.6	6.6	6.6	6.6
335% S&P 500	0.67	6.7	6.7	6.7	6.7	6.7	0.67	6.7	6.7	6.7	6.7	6.7
340% S&P 500	0.68	6.8	6.8	6.8	6.8	6.8	0.68	6.8	6.8	6.8	6.8	6.8
345% S&P 500	0.69	6.9	6.9	6.9	6.9	6.9	0.69	6.9	6.9	6.9	6.9	6.9
350% S&P 500	0.70	7.0	7.0	7.0	7.0	7.0	0.70	7.0	7.0	7.0	7.0	7.0
355% S&P 500	0.71	7.1	7.1	7.1	7.1	7.1	0.71	7.1	7.1	7.1	7.1	7.1
360% S&P 500	0.72	7.2	7.2	7.2	7.2	7.2	0.72	7.2	7.2	7.2	7.2	7.2
365% S&P 500	0.73	7.3	7.3	7.3	7.3	7.3	0.73	7.3	7.3	7.3	7.3	7.3
370% S&P 500	0.74	7.4	7.4	7.4	7.4	7.4	0.74	7.4	7.4	7.4	7.4	7.4
375% S&P 500	0.75	7.5	7.5	7.5	7.5	7.5	0.75	7.5	7.5	7.5	7.5	7.5
380% S&P 500	0.76	7.6	7.6	7.6	7.6	7.6	0.76	7.6	7.6	7.6	7.6	7.6
385% S&P 500	0.77	7.7	7.7	7.7	7.7	7.7	0.77	7.7	7.7	7.7	7.7	7.7
390% S&P 500	0.78	7.8	7.8	7.8	7.8	7.8	0.78	7.8	7.8	7.8	7.8	7.8
395% S&P 500	0.79	7.9	7.9	7.9	7.9	7.9	0.79	7.9	7.9	7.9	7.9	7.9
400% S&P 500	0.80	8.0	8.0	8.0	8.0	8.0	0.80	8.0	8.0	8.0	8.0	8.0
405% S&P 500	0.81	8.1	8.1	8.1	8.1	8.1	0.81	8.1	8.1	8.1	8.1	8.1
410% S&P 500	0.82	8.2	8.2	8.2	8.2	8.2	0.82	8.2	8.2	8.2	8.2	8.2
415% S&P 500	0.83	8.3	8.3	8.3	8.3	8.3	0.83	8.3	8.3	8.3	8.3	8.3
420% S&P 500	0.84	8.4	8.4	8.4	8.4	8.4	0.84	8.4	8.4	8.4	8.4	8.4
425% S&P 500	0.85	8.5	8.5	8.5	8.5	8.5	0.85	8.5	8.5	8.5	8.5	8.5
430% S&P 500	0.86	8.6	8.6	8.6	8.6	8.6	0.86	8.6	8.6	8.6	8.6	8.6
435% S&P 500	0.87	8.7	8.7	8.7	8.7	8.7	0.87	8.7	8.7	8.7	8.7	8.7
440% S&P 500	0.88	8.8	8.8	8.8	8.8	8.8	0.88	8.8	8.8	8.8	8.8	8.8
445% S&P 500	0.89	8.9	8.9	8.9	8.9	8.9	0.89	8.9	8.9	8.9	8.9	8.9
450% S&P 500	0.90	9.0	9.0	9.0	9.0	9.0	0.90	9.0	9.0	9.0	9.0	9.0
455% S&P 500	0.91	9.1	9.1	9.1	9.1	9.1	0.91	9.1	9.1	9.1	9.1	9.1
460% S&P 500	0.92	9.2	9.2	9.2	9.2	9.2	0.92	9.2	9.2	9.2	9.2	9.2
465% S&P 500	0.93	9.3	9.3	9.3	9.3	9.3	0.93	9.3	9.3	9.3	9.3	9.3
470% S&P 500	0.94	9.4	9.4	9.4	9.4	9.4	0.94	9.4	9.4	9.4	9.4	9.4
475% S&P 500	0.95	9.5	9.5	9.5	9.5	9.5	0.95	9.5	9.5	9.5	9.5	9.5
480% S&P 500	0.96	9.6	9.6	9.6	9.6	9.6	0.96	9.6	9.6	9.6	9.6	9.6
485% S&P 500	0.97	9.7	9.7	9.7	9.7	9.7	0.97	9.7	9.7	9.7	9.7	9.7
490% S&P 500	0.98	9.8	9.8	9.8	9.8	9.8	0.98	9.8	9.8	9.8	9.8	9.8
495% S&P 500	0.99	9.9	9.9	9.9	9.9	9.9	0.99	9.9	9.			

AMERICA

Equities climb further
on homes data decline

Wall Street

Another sign that the economy might slow to a sustainable rate without another round of tightening from the Federal Reserve sent US shares soaring yesterday morning, writes Lisa Branstetter in New York.

In the late morning, the Dow Jones Industrial Average came within 1.2 points of pushing through the 4,200 level, before retreating modestly to be 43.57 higher at 4,156.38 by noon. The Standard & Poor's 500 was up 3.80 at 507.70 and the American Stock Exchange composite gained 1.16 at 462.68. The Nasdaq composite was up 1.89 at 823.03. NYSE volume was 182m shares.

The session started on a tentative note as a weak dollar and other worries sent the bond market into negative territory. But bond prices jumped at mid-morning after the commerce department released figures showing sales of single-family homes down 14 per cent in February, the largest decrease since April 1992.

Both bonds and equities proved unshaken by a dollar that fell against the D-Mark and the Japanese yen.

Although most economists had expected the Fed to leave interest rates policy steady after Tuesday's meeting of its Open Market Committee, many still held that the central bank would tighten monetary policy at least once more this year. Signs that the economy might slow without another rate increase cheered many investors yesterday. Interest rate

increases are generally bad for the equity market because they make corporate borrowing expensive and deter consumer spending.

Among the major beneficiaries of the market's jump were cyclical issues. Morgan Stanley's index of those shares gained nearly 1.5 per cent, while the counterpart index of consumer shares rose only 0.3 per cent. Rising cyclical issues included Eaton, the electronics company, up 2.4% at \$22. Parker-Hannifin, which makes military and industrial motion control systems, was up 1.1% at \$44. Kennametal, which makes carbide products, 5.1% at \$27.

Dow Chemical rose \$1 at \$72. A contributory factor was a ruling on Tuesday which said the company had eliminated the chance that it might be liable for damages levied against Dow Corning in the breast-implant trial.

Clark Equipment surged more than 53 per cent, its shares rising 32% to \$81 after Ingersoll-Rand said it would attempt a hostile takeover after its offer to buy Clark for \$75 to \$77 a share was rejected. Shares in Ingersoll-Rand were off 3% at \$31.

Caterpillar jumped 3.7% at \$56 after an analyst at Morgan Stanley revised his recommendation to "strong buy" from "outperform".

Micron Technology gave back some of its recent gains yesterday after setting a 53-week high on Tuesday. Shares in the technology company were 3% lower at \$31.

Exide, which makes automo-

bile batteries, added a drop of 3% to Tuesday's 8%, bringing shares to \$36 before trading was halted. The company said it expected a loss of \$12m to \$17m in the fourth quarter. At noon the indicative price for the shares was \$30 to \$33.

Canada

Toronto traded in a narrow range with the market's main indices at mid-session showing no obvious inclination to follow the upbeat lead set by Wall Street. Dealers said that sentiment remained unsettled by Tuesday's profits warning from the telecommunications giant Bell Canada.

The subdued nature of the morning session showed through in the performance of the leading indices. The TSE 300 index was modestly higher, up 1.19 at 4,300.90, with the gold and precious metals index lagging slightly behind at 9,671.03, down 2.40.

SOUTH AFRICA

Johannesburg gold shares ended higher but off their best levels as support reappeared following recent declines. Industrials, however, struggled for direction after stock markets eased and on a general lack of interest.

The overall index was 1.3 softer at 5,311.1, industrials lost 11.8 at 6,607.4 and golds improved 20.9 to 1,378.8.

Health and Racquet Clinch climbed 5 cents to 85 cents after announcing improved earnings for the year and a 4.5 cents maiden dividend.

EUROPE

VW, Conti advance as Renault retreats

There were contrasts in carnivals yesterday, writes Our Markets Staff, the sector weakening in Paris on further consideration of the Renault results, and gaining in Frankfurt as Volkswagen produced better earnings than expected.

General sentiment was subdued ahead of today's Bundesbank meeting. Mr Reinhard Fischer at Research Vision said that the German authorities, given the climb in the D-Mark and its obvious effect on the German corporate economy, might be moved to signal, say, a move from a fixed 4.85 per cent repo rate next week to something lower, but more flexible.

FRANKFURT bounced off a new intraday low of 1,891.71 to close the session at 1,918.88, and the post-bourse 7.15 higher on the day at 1,918.88, in turnover of DM7.6bn.

Volkswagen put up DVFA earnings of DM9.50 a share, against forecasts of zero to \$5, and the stock rose DM7.90 to DM246.50. Mr Roderick Hinkel, German strategist at Paribas Capital Markets, said that 1995 forecasts for VW had been heavily downgraded recently, but that they might be revised after these figures.

News from Deutsche Bank and BASF had little effect on share prices. But following

FT-SE Actuaries Share Indices

Mar 29	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1228.02	1230.50	1232.63	1236.49	1238.88	1236.57	1237.22	1236.86
FT-SE Actuaries 200	1342.34	1344.09	1345.47	1348.39	1348.83	1345.89	1350.47	1349.07

	Mar 28	Mar 27	Mar 24	Mar 23	Mar 22
FT-SE Eurotrack 100	1242.45	1254.68	1241.50	1228.24	1250.31
FT-SE Eurotrack 200	1353.50	1363.70	1355.45	1345.44	1359.80
Base 1000 (25/03/97) - Heilbronn 100	- 1245.54	- 1267.71	- 1267.71	- 1228.78	- 1241.57

Base 1992 (28/10/92): 100 = 1228.24, 200 = 1350.71. Lowday 100 = 1228.24, 200 = 1341.27. 1 Year

Michelin's gains in Paris on Tuesday, Continental rose another DM4 to DM196 as it followed the French company's price rise plans with original equipment and replacement tyre mark-up plans of its own.

PARIS moved ahead steadily, with individual features again dominating the run of play and something of a technical squeeze building up ahead of tomorrow's expiry of the CAC-40 March futures contract.

At the close the CAC-40 index was 15.23 higher at 1,832.42. Volume was on the low side and the index showed little movement through most of the morning session, moving up towards the close as futures factors took hold.

Renault shares fell steeply as analysts got to grips with the small print in the motor giant's results statement. At the close of trading on Tuesday Renault announced better than expected net profits, but by yesterday

traders had homed in on weak operating profits in the passenger car division.

A number of investment houses downgraded their 1995 earnings estimates and Renault shares closed FF9.20 lower at FF164, reversing the previous day's FF2.70 rise.

The shock waves washed over into Peugeot, which dipped FF9 to FF643.

ZURICH finished flat, having picked up from midday lows, responding to Frankfurt's steadier tone and deriving some support from the dollar's recovery from record lows against the Swiss franc during the morning.

The SMI index was just 0.6 down at 2,485.0, after a day's low of 2,462.4.

Swissair, expected to report 1994 results today, declined SF6 to SF560 on uncertainty about the dispute with its pilots and concern about its talks with Sabena.

Ciba picked up SF4 to

which owns about 11 per cent of Renault, fell SKR5.50 to SKR121.50 as the Affarsvarden General index shed 17.0 or 1.2 per cent to 1,438.80. COPENHAGEN and HELSINKI each dropped 2 per cent: the KFX index lost 1.79 at 88.30 in high turnover of DKR98m in a market characterised by currency unrest and speculation; and the Hex index fell 33.1 to 1,555.3, with the forestry sector down 2.7 per cent, banking and finance 3 per cent lower and Nokia, the telecoms group, off FM20 at FM522.

ATHENS slipped down through the 800 support level, the general index closing at 795.35, off 5.27. The market softened against a background of tax protests by Greek farmers and concern about the fate of the new Spata airport planned for Athens. The European Union go-ahead for the airport came after the close.

ISTANBUL moved up to a fresh all-time peak, comfortably recouping the previous day's profit-taking inspired setback. The 100-share composite index rose 1,060.41 - 2.97 per cent - to close at 37,779.29. The market's advance so far this month is now within a whisker of 30 per cent.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Brazil awaits consumption curbs

Brazil shares edged ahead in light midday trade as investors awaited a government announcement of new measures to restrict consumption. The Bovespa index was 157 higher at 32,715 at 1 pm but turnover was a low R\$128.6m (\$14.9m).

The country's National Monetary Council was meeting yesterday to discuss whether the government would adopt measures to curb consumption and slow the rate of economic growth. Analysts also expected that the government would tighten bank reserve requirements to

squeeze consumer credit even further. Telebras preferred rose 1.9 per cent to R\$26.80, while Electrobras preferred was traded up 1 per cent to R\$19.

MEXICO CITY eased in light morning trade as profit-taking set in after the recent strong gains, which saw the market 15 per cent higher over five sessions. The IPC index was 7.30 down at 1,825.36 by late morning in active volume of 3.6m shares. Grupo Mexicano de Desarrollo B shares led the slide, dropping 6.1 per cent.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms			Local currency terms		
		Mar. 24 1995	% Change over week	% Change on Dec '94	Mar. 24 1995	% Change over week	% Change on Dec '94
Latin America	(257)	403.46	+6.3	-30.5	369,136.53	+4.0	-18.1
Argentina	(30)	801.81	+4.0	-18.0	282.71	+1.5	-21.2
Brazil	(72)	282.71	+5.9	-26.5	1,202.26	+4.8	-4.8
Chile	(36)	733.00	+4.8	-5.5	1,202.26	+4.8	-4.8
Colombia ¹	(16)	781.47	-3.1	-6.2	1,172.04	-2.5	-1.9
Mexico	(71)	326.93	+15.1	-46.2	967.96	+7.2	-25.0
Peru ²	(20)	150.15	+3.1	-15.8	207.18	+3.4	-12.9
Venezuela ³	(12)	400.84	-0.5	-19.0	1,564.52	-0.5	-19.1
Asia	(559)	230.63	+1.4	-7.5			
China	(20)	69.43	-0.9	-8.5	73.94	+0.9	-8.7
South Korea ⁴	(158)	134.22	+1.8	-1.9	135.97	+0.6	-4.1
Philippines	(25)	230.48	-4.8	-22.7	288.38	-4.1	-17.9
Taiwan, China ⁵	(93)	148.56	-2.4	-9.6	144.99	-2.5	-10.6
India ⁶	(10)	101.12	-2.7	-18.1	113.53	-2.2	-17.5
Indonesia ⁷	(42)	90.51	-8.9	-23.3	108.71	-0.6	-7.8
Malaysia	(114)	282.63	-1.4	-2.3	248.66	-1.8	-2.8
Pakistan ⁸	(8)	283.45	-5.2	-22.6	387.11	-5.2	-22.4
Sri Lanka ⁹	(19)	142.68	-3.0	-17.0	152.94	-3.6	-17.5
Thailand	(66)	358.82	+1.5	-6.5	351.72	+1.4	-8.0
Euro/Mid East	(147)	124.16	+1.7	+4.8			
Greece	(40)	222.17	+0.6	-1.5	348.31	+2.5	-5.3
Hungary ¹⁰	(5)	113.69	-4.2	-25.1	163.13	-2.5	-21.0
Jordan	(6)	154.22	-0.8	+2.8	223.79	-0.5	+0.7
Poland ¹¹	(16)	353.41	-6.1	-24.7	533.95	-5.4	-27.2
Portugal	(22)	122.65	+1.0	+1.3	125.34	+0.1	-5.4
Turkey ¹²	(44)	141.18	+4.8	+1.0	2,793.87	+4.2	+26.3
Zimbabwe ¹³	(8)	217.15	+0.2	+1.2	268.45	+1.0	-10.8
Composite	(1063)	250.79	+2.2	-16.8			

Indices are calculated at end-of-day, and weekly changes are percentage movement from the previous Friday. Base date: UK 1980-1990 except those noted where an (FY) is shown. (FY) 1990-1991; (FY) 1991-1992; (FY) 1992-1993; (FY) 1993-1994; (FY) 1994-1995; (FY) 1995-1996; (FY) 1996-1997; (FY) 1997-1998; (FY) 1998-1999; (FY) 1999-2000; (FY) 2000-2001; (FY) 2001-2002; (FY) 2002-2003; (FY) 2003-2004; (FY) 2004-2005; (FY) 2005-2006; (FY) 2006-2007; (FY) 2007-2008; (FY) 2008-2009; (FY) 2009-2010; (FY) 2010-2011; (FY) 2011-2012; (FY) 2012-2013; (FY) 2013-2014; (FY) 2014-2015; (FY) 2015-2016; (FY) 2016-2017; (FY) 2017-2018; (FY) 2018-2019; (FY) 2019-2020; (FY) 2020-2021; (FY) 2021-2022; (FY) 2022-2023; (FY) 2023-2024; (FY) 2024-2025; (FY) 2025-2026; (FY) 2026-2027; (FY) 2027-2028; (FY) 2028-2029; (FY) 2029-2030; (FY) 2030-2031; (FY) 2031-2032; (FY) 2032-2033; (FY) 2033-2034; (FY) 2034-2035; (FY) 2035-2036; (FY) 2036-2037; (FY) 2037-2038; (FY) 2038-2039; (FY) 2039-2040; (FY) 2040-2041; (FY) 2041-2042; (FY) 2042-2043; (FY) 2043-2044; (FY) 2044-2045; (FY) 2045-2046; (FY) 2046-2047; (FY) 2047-2048; (FY) 2048-2049; (FY) 2049-2050; (FY) 2050-2051; (FY) 2051-2052; (FY) 2052-2053; (FY) 2053-2054; (FY) 2054-2055; (FY) 2055-2056; (FY) 2056-2057; (FY) 2057-2058; (FY) 2058-2059; (FY) 2059-2060; (FY) 2060-2061; (FY) 2061-2062; (FY) 2062-2063; (FY) 2063-2064; (FY) 2064-2065; (FY) 2065-2066; (FY) 2066-2067; (FY) 2067-2068; (FY) 2068-2069; (FY) 2069-2070; (FY) 2070-2071; (FY) 2071-2072; (FY) 2072-2073; (FY) 2073-2074; (FY) 2074-2075; (FY) 2075-2076; (FY) 2076-2077; (FY) 2077-2078; (FY) 2078-2079; (FY) 2079-2080; (FY) 2080-2081; (FY) 2081-2082; (FY) 2082-2083; (FY) 2083-2084; (FY) 2084-2085; (FY) 2085-2086; (FY) 2086-2087; (FY) 2087-2088; (FY) 2088-2089; (FY) 2089-2090; (FY) 2090-2091; (FY) 2091-2092; (FY) 2092-2093; (FY) 2093-2094; (FY) 2094-2095; (FY) 2095-2096; (FY) 2096-2097; (FY) 2097-2098; (FY) 2098-2099; (FY) 2099-2100; (FY) 2100-2101; (FY) 2101-2102; (FY) 2102-2103; (FY) 2103-2104; (FY) 2104-2105; (FY) 2105-2106; (FY) 2106-2107; (FY) 2107-2108; (FY) 2108-2109; (FY) 2109-2110; (FY) 2110-2111; (FY) 2111-2112; (FY) 2112-2113; (FY) 2113-2114; (FY) 2114-2115; (FY) 2115-2116; (FY) 2116-2117; (FY) 2117-2118; (FY) 2118-2119; (FY) 2119-2120; (FY) 2120-2121; (FY) 2121-2122; (FY) 2122-2123; (FY) 2123-2124; (FY) 2124-2125; (FY) 2125-2126; (FY) 2126-2127; (FY) 2127-2128; (FY) 2128-2129; (FY) 2129-2130; (FY) 2130-2131; (FY) 2131-2132; (FY) 2132-2133; (FY) 2133-2134; (FY) 2134-2135; (FY) 2135-2136; (FY) 2136-2137; (FY) 2137-2138; (FY) 2138-2139; (FY) 2139-2140; (FY) 2140-2141; (FY) 2141-2142; (FY) 2142-2143; (FY) 2143-2144; (FY) 2144-2145; (FY) 2145-2146; (FY) 2146-2147; (FY) 2147-2148; (FY) 2148-2149; (FY) 2149-2150; (FY) 2150-2151; (FY) 2151-2152; (FY) 2152-2153; (FY) 2153-2154; (FY) 2154-2155; (FY) 2155-2156; (FY) 2156-2157; (FY) 2157-2158; (FY) 2158-2159; (FY) 2159-2160; (FY) 2160-2161; (FY) 2161-2162; (FY) 2162-2163; (FY) 2163-2164; (FY) 2164-2165; (FY) 2165-2166; (FY) 2166-2167; (FY) 2167-2168; (FY) 2168-2169; (FY) 2169-2170; (FY) 2170-2171; (FY) 2171-2172; (FY) 2172-2173; (FY) 2173-2174; (FY) 2174-2175; (FY) 2175-2176; (FY) 2176-2177; (FY) 2177-2178; (FY) 2178-2179; 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TOKYO CAPITAL MARKETS

Thursday March 30 1995

Still strong but less ambitious

The clouds have returned, and some things may indeed have changed, but Tokyo's position as a leading financial centre is not threatened, says Gerard Baker

This spring there is more than the usual sense of renewal about Tokyo. The new financial year that comes in with the cherry blossoms next week holds out to many in the country's benighted financial markets the chance to banish the nightmares of the past few years – a period that has seen the unprecedented stagnation of the nation's securities markets and the blighting of its banks.

The announcement this week of a planned merger between Mitsubishi Bank and Bank of Tokyo, two of the country's strongest financial institutions, has added to the optimism in the banking sector. The merger will create the largest bank in the world, and has been heralded as a sign that banks' fortunes may at last be reviving. But while the hope of better times is still strong, the prospects are as uncertain as they have ever been.

At various moments in 1994 it looked possible that the long decline of Japan's financial sector might be ending. In the summer the country was at last officially declared to have emerged from its longest recession since the second world war. Economic recovery was expected to bring with it the end of the traumas experienced by banks, brokers, insurers and property companies since the collapse of the bubble economy, the period of rapidly expanding asset prices of the late 1980s.

As though in salute, the stock market managed a sustained rally, and in June hit its highest level for more than two years. Banks also had something to cheer about – or so they claimed. The massive pile

of bad debts that they had accumulated from the bursting of the bubble, which had been mounting with alarming speed, appeared to have peaked. And these signs of progress all took place against a background of encouragement from the authorities.

But in a few critical months at the end of last year and the beginning of this the clouds have rolled in again over the country's financial system. By a rare combination of administrative ineptitude, bad luck and natural disaster, confidence, the scarce resource on which financial strength depends, evaporated, leaving Tokyo again wondering whether the decline is terminal, not cyclical.

The first signs of trouble came as the stock market ran out of steam last autumn. Its retreat was turned into a rout by the so-called "Double JT Fiasco" – the bungled privatisation of two public concerns, Japan Telecom and Japan Tobacco, which asked the market to absorb more than ¥1,000bn of new equity. Fears about the fragility of the economic recovery continued the trend until the new year. Then disaster really did strike.

The Kobe earthquake on January 17 shattered the nerves of many in the financial sector. The massive cost of restructuring was certain to hurt corporate earnings; damaged real estate meant more bad loans, and most important of all, the shock to confidence it sent throughout the country was almost tangible.

This uncertainty was compounded by another highly questionable intervention by the authorities. Just before Christmas, the Bank of Japan

announced a rescue plan for two failed credit institutions. Many of these smaller financial institutions are thought to be on the brink of bankruptcy, and the authorities' move was widely regarded as a test case. If the two small companies could be bailed out by public funds, then perhaps that would set the pattern for the restoration to full health of dozens of similar institutions.

But the decision to inject more than ¥500bn of public money into two credit associations, which had been brought down by their own folly, was not popular from the start. Worse was to follow, however, when shortly after the earthquake, it emerged that the two had got into trouble not just through incompetence, but, allegedly, through corruption and influence-peddling of a kind so familiar to disillusioned voters in the 1980s.

The damage to the authorities' strategy is hard to measure. But it has almost certainly set back their ability to produce an orderly resolution of the bad-debt problem that still erodes the financial system. The risk is that when the next institution fails, the government will not be able to offer support, for fear of igniting public opinion.

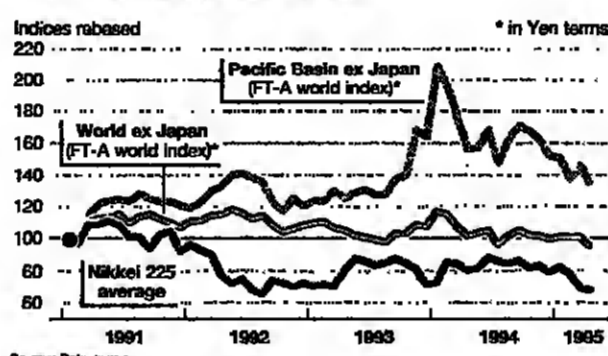
So a project that was designed to assuage the chronic uncertainty about the health of the financial system, has ended up exacerbating it. In the process, the progress that has been made by some banks towards removing their massive losses, has disappeared behind the disfigurement of the authorities.

This uncertainty has also heightened fears about Tokyo's future as a leading financial



What's gone wrong? Dealers ponder a dull morning's trade on the Tokyo Stock Exchange as the value of shares falls again. (Reuters)

How the market has moved



centre. For several years the city has been losing financial business to the growing markets of Hong Kong and Singapore, as well as to its more traditional rivals of London and New York. Officials say this shift merely reflects Japan's cyclical downturn, and will be reversed as the economic recovery gradually strengthens. But many in the

markets, especially the foreigners, are not so sure.

Foreign companies have been fleeing Tokyo at an alarming pace. Multinationals have delisted at an accelerating rate from the Tokyo Stock Exchange. There are now fewer than 100 companies listed, down from nearly 130 three years ago. Foreign financial institutions have also been

abandoning the place. In the past year, three leading US institutions have given up equity trading and many more have scaled down their operations.

Once again, many critics see the authorities as the problem, not the solution. The administrative inclination to meddle in markets is still strong – deregulation continues, but at a glacial pace. Despite the steps that have been taken towards a more liberalised market in the past few years, the ministry of finance retains a grip on financial affairs like no other regulator in the world.

From the "price-keeping operation" (a discredited, but continuing attempt by the government to support share prices) to the high taxes and charges levied on those doing financial business in Tokyo, the heavy hand of the authorities is evident, pursuing, in their own words "investor protection".

The ministry of finance defends its action by saying the system is still so fragile that a wholesale liberalisation introduced too quickly would be ruinous. They have a point – opening up markets to free competition would indeed be catastrophic in the first instance for many participants. But the past year has demonstrated that the MoF's strategy of a gradual relaxation may be contributing to the slide. A vicious circle is in full operation – the government will not move more quickly to deregulate until it is sure the financial system is healthier. Yet the system itself is debilitated further by the rules that stifle the market. Meanwhile, investors, domestic and foreign, lose interest.

Perhaps the dire warnings of those who cry for more freedom are overdone. Tokyo's position as a leading financial centre is not threatened. It remains the financial capital, not just of the world's second

Shares fall faster than brokers can cut costs

In two years, Tokyo's leading 20 brokers have cut selling, general and administrative costs by nearly 10 per cent. Yet they have not been able to downsize anywhere near as quickly as the market has fallen. Page 3 of this survey.

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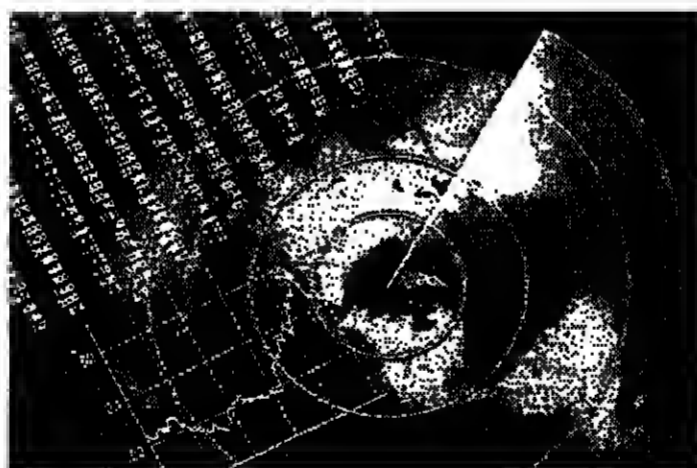
Currency: Yen.
At March 27, 1995: \$1=¥88.72;
£1=¥141.36; DM1=¥62.80.

largest economy, but of most of Asia, the region of greatest economic dynamism in the world. Its banks and brokers are recycling the country's surpluses to the emerging economies of Asia.

Its brokers, despite their disastrous losses of the last four years, are still the best-capitalised financial institutions anywhere. And its people are still the biggest savers, giving the Tokyo market one of the largest pools of investment capital in the world.

But what has changed is the scope of Tokyo's ambitions. Five years ago, Japanese financial institutions had entirely realistic hopes of dominating the globe. The rest of the world quaked before the financial muscle of the Nomuras and Sumitomos, and flocked to Tokyo to be at the hub of the financial system. Now, those institutions, and the city they still call home, are happy simply even to be regarded as players.

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TOKYO CAPITAL MARKETS 2

The banks' journey to recovery will be long and slow, says Gerard Baker

Still haunted by bad debts

For most of the past year, Japan's banks have been busy pronouncing the turning point in their fortunes. After four years in which falling land prices wiped out the collateral backing many of their loans, the largest banks in the world are anxious to claim that things have stopped getting worse.

But while the published numbers prove that perhaps the worst is behind them, a closer look suggests the banks' journey back to recovery will be a long and painfully slow one.

The accumulation of disclosed bad loans certainly seems to have peaked some time in 1994. In the six months to March 1994, total non-performing loans fell slightly at the 21 leading banks, and then dropped more sharply in the next six months - by 1.8 per cent, to just over ¥13,000bn.

These falls represented a belated but welcome effort by the banks to begin the task of actively removing the bad loans from their asset books. Until 1993, banks did not even publish non-performing loan figures, but since then the long process of charging them off has begun.

But the published figures still tell only half the story. There are several omissions which disguise the true scale of the problem and demonstrate that it remains a significant impediment to growth prospects.

Banks do not follow practice in most other industrialised countries in giving figures for restructured loans. Neither do they publish figures for the large sums of money lent to housing loan companies - many of which are technically insolvent. And they do not count as non-performing loans sold to a company that specially purchases such assets - the Cooperative Credit Purchasing Corporation. Though the CCPC holds the loans until it can dispose of them, the banks are still liable for any further losses on them.

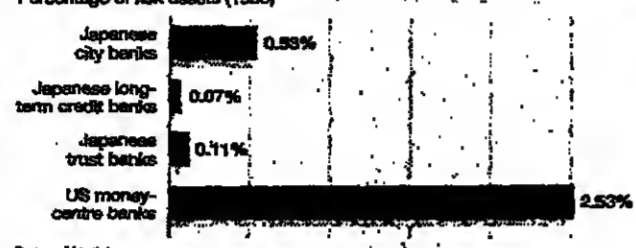
In all, these accounting measures probably take about a third of bad debts off the balance sheets. According to Ms Alicia Ogawa, banking analyst at Salomon Brothers in Tokyo, the true total of non-performing loans is more like ¥21,000bn, or nearly 6 per cent of all loans -

	Tier One capital (\$m)	Change on previous year (%)	Assets (\$m)	Change on previous year (%)	Pre-tax profit (\$m)	Change on previous year (%)
Sumitomo Bank	22,120	0.4	487,781	-1.7	900	22.5
Sanwa Bank	19,577	1.2	483,558	-1.9	829	-50.0
Fuji Bank	19,388	0.8	507,218	-1.1	821	-38.5
Dai-ichi Kangyo Bank	19,300	-1.2	508,583	-1.6	578	-41.6
Sakura Bank	18,549	5.4	495,975	0.4	578	-48.9
Mitsubishi Bank	17,072	-0.4	458,110	-5.1	710	-46.5
Industrial Bank of Japan	13,596	0.0	388,916	2.0	441	-44.5
Tokai Bank	10,803	3.2	311,451	2.0	472	-27.2
Long-term Credit Bank of Japan	10,689	0.5	302,185	-1.4	589	-3.1
Bank of Tokyo	10,571	4.4	242,445	-2.7	956	23.8

Source: The Banker (January 1995)

Net operating profits

Percentage of risk assets (1993)



Source: Moody's

Non-performing loan growth at the 21 leading banks

	Disclosed (Ybn)	Estimated actual (Ybn)
March 1993	12,777.5	18,058.0
September 1993	13,758.5	19,595.0
March 1994	13,575.7	20,788.8
September 1994	13,328.8	21,422.7

Source: Salomon Brothers

Non-performing loans: estimates, at September 1994

	Total (Ybn)	% of total loans	% change over previous 6 months
City banks	12,569.9	4.7	4.5
Long-term credit banks	3,731.8	7.1	0.8
Trust banks	5,121.0	8.1	1.7
Total	21,422.7	5.6	3.1

Source: Salomon Brothers

and, crucially last year, that figure was still rising.

Worse still, even though disclosed non-performing loans appear to have peaked, the chronic weakness of demand for lending has led to a fall in total loans advanced.

"While banks have made strong efforts to write off problem loans, continued weakness in the economy has resulted in an even steeper decline in the balance of performing loans," says Ms Ogawa. So despite the efforts of many banks to

address it, the asset quality problem appears to remain the overwhelming constraint on banks' potential.

But in the past six months, there have been signs that banks may at last be moving to tackle the problem more aggressively.

In October, Mitsubishi Bank - arguably the strongest of the city, or commercial, banks - announced a takeover of Nippon Trust Bank, unarguably the weakest of all the leading banks. The merger, aided and

abetted, by the finance ministry, was the model *par excellence* of the ministry's favoured strategy for recovery. Mitsubishi - with one of the cleanest asset books in the financial sector - injected more than ¥150bn to recapitalize Nippon Trust, which last year reported that more than 13 per cent of its loans were non-performing.

Though the merger will weaken Mitsubishi in the short run, it represents a step in the direction of the finance ministry's plan for the rationalisation of the banking sector. There are currently simply too many banks, many of them chronically infirm, and enlisting the assistance of the stronger to clear away the weaker represents the most effective solution. But earlier this week Mitsubishi also announced a planned merger with Bank of Tokyo, a move that represents the most far-reaching consolidation yet in the banking system.

However, since both Mitsubishi and Bank of Tokyo are among Japan's strongest banks, the merger will do little to resolve the bad-debt problems in the sector as a whole.

In January, Sumitomo Bank, which has the distinction of being the largest bank in the world by total assets, announced that it would become the first leading Japanese bank ever to declare a loss. In the current financial year, Sumitomo said, it would lose about ¥200bn.

Such an unprecedented loss may not look like a cause for celebration, but the news was greeted warmly by financial markets. Sumitomo's loss was caused by a substantial write-off of bad loans, one of the largest ever. Analysts and regula-

tors hailed the development as the most serious attempt yet by any Japanese bank to clear its balance sheet. Sumitomo was sending a message to world markets that it at least was serious about clearing away the detritus of the bubble economy.

"The significance of Sumitomo's move was that it represented the first time a Japanese bank has come clean about its losses and stopped trying to hide them," says Mr J. Brian Waterhouse, banking analyst at James Capel Pacific in Tokyo. But large problems still stand in the way of a return to normal in the banking system. The Bank of Japan and the ministry of finance's ham-handed rescue of two small failed and corruption-tainted credit unions in the past few months has cast doubt on their hopes of an orderly disposal of the weaker financial institutions.

And a much more serious obstacle remains - banks' chronically low profitability. It is only by making profits that they are able to make the provisions necessary to charge off the loans. But that profitability sets world records - for the wrong reasons. According to Moody's, the US credit rating agency, operating profits before provisions for bad debts at Japanese banks are among the lowest in the world. Pre-provision profits were under 0.5 per cent of average assets at the leading Japanese banks in 1992. In the US, the figure was 2.4 per cent, in the UK 1.7 per cent, and in Switzerland 1.5 per cent.

According to Ms Yukiko Ohara, banking analyst at UBS in Tokyo: "At many banks, core earnings are so weak that write-offs of bad loans cannot be completed by the end of the century."

Japanese banks have always been less profitable than their western counterparts, mainly because their principal function in the past was as conduits to channel funds from private savings to industry, to finance reconstruction in the 1950s and 1960s. The banks' shareholders, the big industrial conglomerates, on the receiving end of the cheap money, have never had much interest in seeing substantial returns on their assets.

In the past that worked well for the banks, which concentrated instead on growth and took pride in their status as the world's largest. But now growth will require the speedy elimination of their poor assets.

The next few years will almost certainly see a divergence in the performance of Japanese banks. Only those that are serious about cutting costs and those that successfully take risks to lift their returns for shareholders will have a real claim to be regarded as world-class financial institutions.

As probation periods go, it could have been easier. During his first three months in office, Mr Yasuo Matsushita, the new governor of the Bank of Japan, has had to cope with a severe earthquake, the Barings collapse, a yen crisis, and the development into a political scandal of a rescue operation launched by his predecessor for two small credit unions.

Not an easy start, but Mr Matsushita has got on with the job quietly and efficiently.

His predecessor, Mr Yasushi Mieno, was a tough act to follow. In more ways than one. Almost as soon as he took over the desk five years ago, Mr Mieno declared his intention of puncturing the economic bubble, and immediately took steps to do so, taking a robust attitude to the pain this inflicted on the banks.

Mr Mieno kept a high profile, to the extent that a few economists brand him a self-publicist. The phrases that keep cropping up in descriptions of Matsushita are "low-profile", "low-key", "quiet". Mr Mieno had a reputation as a hard man. Mr Matsushita, almost inevitably, is being seen already as soft in comparison.

The 60-year-old new governor joined the ministry of finance straight out of university - Tokyo University law faculty, naturally - in 1950. He rose to become vice-minister of finance in 1982, before retiring in 1986 to become a director of the Taiyō Kobe Bank, which later merged with Mitsui Bank and took the name Sakura Bank. Mr Matsushita was appointed chairman of Sakura Bank in 1992.

When Mr Matsushita's selection was announced last November, his position as the first governor for 30 years to have private-sector banking experience was immediately interpreted as a good portent for the banks.

Mr Brian Waterhouse, an analyst with James Capel, says: "Having someone with hands-on experience of commercial banking go into the position of governor of the Bank of Japan was generally greeted with enthusiasm by the banking industry, because they felt he was likely to pursue policies that would favour the banks, rather than pursuing broad economic policies at the expense of the banks, like his predecessor Mr Mieno."

Sakura Bank has one of the largest portfolios of bad loans,

so Mr Matsushita's colleagues in the private sector hope that he will take a sympathetic view of their predicament.

But others question whether a mere eight years in the private sector could really outweigh the attitudes and priorities acquired during 36 years in the ministry of finance.

Mr Robert Feldman, chief economist at Salomon Brothers in Tokyo, has little time for the view that Mr Matsushita's past predisposes him to be the banks' saviour. "Nonsense. After his service in private-sector banking, he does not have a banking background - he has a ministry of finance background. He prob-

heavy-handed approach to the economy, Mr Matsushita seems to have a rather lighter touch. Ms Mineko Sasaki-Smith, senior economist with Morgan Stanley in Tokyo, says: "So far, in a short period of time, I am actually quite impressed. I think his monetary policy is more sensitive and delicate. He has distinguished himself in separating three layers of monetary policy to send a message to the market."

The early signs are that any difference between Mr Matsushita and Mr Mieno is more of style than substance, and not only in the face he presents to the outside world. "Mieno would tell people what to do, Matsushita reportedly is much more consensus oriented, so it is going to take the BoJ longer to make decisions," says Mr Robert Feldman, chief economist with Salomon Brothers in Tokyo.

Although Mr Matsushita may not have a tough-guy personality, he has a tough task to do during his five years in office: resolve once and for all the overhang of bad debt from the bubble years.

Recent developments in the case of the two credit unions issue have probably made this task even tougher. The corruption and political intrigue uncovered have contributed to the atmosphere of growing public hostility to the use of public money to bail out financial institutions.

Possibly the single most challenging item in Mr Matsushita's in-tray is the need to organise a tidy settlement of the bad-debt problems of a number of housing loan corporations, a problem which has so far not even been touched.

"A centrally assisted solution of the housing finance problems would be a very nice conclusion to the crisis of the past few years," says Mr Faulkner.

How the new governor will achieve that is yet to be seen, but nobody is expecting a radical departure in policy. After all, Mr Matsushita was Mr Mieno's favoured candidate for the job, and it would be surprising if he had picked a successor with ideas fundamentally different from his own. And given the strength of the Japanese bureaucracy, it is questionable how far policy could be pushed out of the established line by even the most determined governor.

Bethan Hutton

William Dawkins examines the consequences of gradual deregulation

Cracked dam needs attention

Until this year, the Japanese finance ministry was undisputed master of the pace of deregulation in Tokyo financial markets.

It had engineered a gradual, orderly increase in competition, justified by the needs to maintain high standards of investor protection and to ward off threats to the stability of the financial system.

That has now subtly changed. It now looks just possible that the ministry's hand may be forced. Instead of protecting the system from shocks, the ministry has insulated it from competition so thoroughly that Tokyo's attractiveness as an international financial centre has suffered.

Thus, the finance ministry's caution may have to give way to a wider cause: the need to restore Japanese financial markets' competitiveness. Fast eroded by cheaper and less regulated financial centres in east Asia.

On top of this, the limited amount of financial deregulation achieved so far has unleashed demands for more. They may be unstoppable. Smaller stockbrokers, for example, are clamouring for access to new markets, to compensate for the erosion of the old barrier between themselves and the banks.

So it is that Japan's financial deregulation resembles the early stage of a collapsing dam. The first cracks are small. But they have unleashed pressure that may bring the whole structure down.

Perhaps the single biggest change to the cosy old structure of Tokyo's financial markets was the opening, late last year, of securities subsidiaries by the big six commercial banks. It exposed Japan's ailing stockbrokers to unprecedented competition at a tough time, when their core earnings were under pressure from small equity market turnover.

Until 1993, Japanese banks were not allowed to undertake stockbroking, a rule modelled on the US Glass-Steagall Act. Then, the smaller long-term credit and trust banks were permitted to do so, and write and sell bonds, a cautious first step

to deregulation. Banks had long clamoured for this right, to enable them to keep hold of their industrial customers which, since the 1980s, have made increasing use of bonds, rather than bank debt.

Even though brokers' main business, equities, is still off-limits to banks, this fresh competition in the lucrative bond market has sparked demands by brokers for access to fresh business, to compensate.

They are now lobbying the ministry hard for the removal of legal restrictions to trade in asset-backed securities, a second

choice. In practice, the impact of this change has been subtle, underlining how Japanese deregulation is not always what it seems. Different banks' interest rates have since varied very little, a sign that in the absence of deregulation the finance ministry's guiding hand is still at work, behind the scenes.

Another area where Japan's financial authorities have eased their grip over the past year is in the onerous requirements for a stock exchange listing.

Here, the pressure for

The opening of securities subsidiaries by commercial banks exposed stockbrokers to competition just when their core earnings were under pressure

change came from two sources. First, a steady stream of foreign companies has left the Tokyo exchange, unable to justify the ¥15m to ¥20m a year needed to maintain a listing, roughly four times the cost of other leading markets. Second, these high costs have deterred fast-growing young Asian companies from coming to Tokyo to seek capital. Both have been a blow to Tokyo's financial prestige.

Rather than waiting for the ministry to act, an anxious Tokyo Stock Exchange issued its own edict last December, to halve the initial listing costs, reduce the minimum size of companies admitted to a listing, and cut the amount of corporate information required to be translated into Japanese.

Separately, the government has allowed a modest degree of competition for management of Japan's vast goldmine of pension fund assets, estimated at \$1,000bn. The US government had been lobbying, since the mid-1980s, for access to the pension fund management market, monopolised by Japanese trust banks and life insurance companies.

But what finally encouraged the ministry to open the door a crack was not foreign, but domestic pressure. Here, the demand for liberalisation came from the powerful Pension Welfare Service Public Corporation, or *nengoku*. The corpo-

ration urgently wants better returns on the two-thirds of private pensions which it controls by law, because Japan's ageing population means payouts will rise. It feels a dose of competition for its Japanese trust bank and insurance company fund managers might do the trick.

The deregulation of the pension fund market has been designed to soften the loss to the trust banks, in line with the ministry's traditional concern not to shake the system too hard. Foreign fund managers will only be given access on strict terms, under which they can only manage money handed to them by trust banks, who will continue to collect a fee on the way.

But the ministry has also paved the way for potentially far-reaching change in the pension fund industry, by committing Japanese fund managers to adopt, by 1997, investment performance measures comparable to those used by their US and European counterparts. At present, it is very hard to compare the performances of Japanese and foreign fund managers, though the suspicion is that Tokyo's trust banks are no match for Wall Street's fund managers.

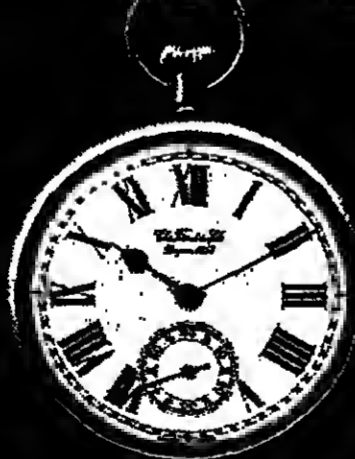
When true comparisons do become possible, foreign fund managers suspect that the pressure for more radical change will become unstoppable.

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TOKYO CAPITAL MARKETS 3

Gerard Baker sees no immediate end to the plight of big brokers

No profits expected this year

In the rich years for Japan's financial markets, grateful stockbrokers used to fill the collection box at Kabutocho, a small shrine just across the street from the Tokyo Stock Exchange, with ¥10,000 notes. These days, according to the priests who tend this favorite place of prayer and worship for the country's financiers, they are lucky if they find a few ¥500 coins.

The Kabutocho recession reflects the continuing slump in Japan's securities industry. For more than four years the stock market has been in an unprecedented decline. In the boom year of 1988, average daily trading volumes on the TSE's first section hit more than 1bn shares. For the past four years, they have been stuck at around 300m. From that simple, bleak statistic stem all the woes that continue to haunt the country's brokers.

Last year, only a handful of the securities companies managed to make any money at all. When in January, Nomura, the largest and most successful broker, announced that it would record a loss this year, it was as good as confirmed that not one company would make a profit when the current year ends this week.

And the long slump in the market seems unlikely to abate soon. Japanese institutional

investors are still seeking to diversify themselves of equities, as part of a long-run review of their financial performance; and industrial corporations are in the process of reducing their traditional shareholdings in other companies, as part of broader industrial groupings. Both factors seem certain to leave the market depressed for some time.

Despite several years of retrenchment by the brokers, they have not been able to downsize anywhere near as quickly as the market has fallen. Investors are still seeking to diversify themselves of equities, as part of a long-run review of their financial performance; and industrial corporations are in the process of reducing their traditional shareholdings in other companies, as part of broader industrial groupings. Both factors seem certain to leave the market depressed for some time.

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New public equity offerings (¥bn)	
Financial year beginning April	
1987	1,494.6
1988	3,466.8
1989	6,257.1
1990	197.7
1991	33.1
1992	8.2
1993	53.6
1994 (to Feb '95)	133.0

Source: Yamazaki Research

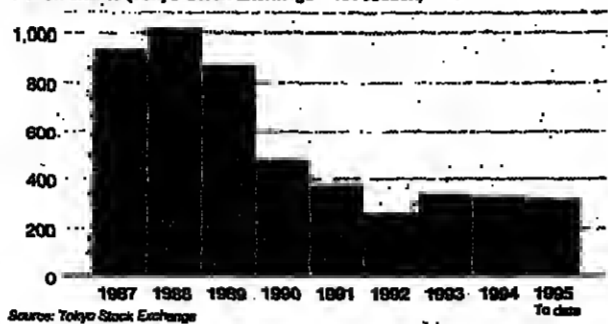
Net purchases/sales of equities, by category (¥bn)	
	1990 1991 1992 1993 1994
Bank	-2,546.9 797.8 848.3 2,942.8 2,165.3
Other financial	1,325.4 -1,725.3 -297.1 -352.0 -1,897.4
Industrial corporations	776.0 -1,760.5 -755.8 -1,879.2 -1,850.3
Individuals	1,671.7 -2,932.8 22.9 -1,147.2 -2,033.1

* sales; all others purchases.

Source: Yamazaki Research

Average daily trading volume

Million shares (Tokyo Stock Exchange - 1st section)



Source: Tokyo Stock Exchange

Brokers' earnings: March-September 1994

	Operating profits (¥bn)	Pre-tax profits (¥bn)
Daiwa	7.2	7.3
Nomura	22.4	22.5
Yamaichi	-8.4	-8.7
Nikko	3.1	2.3
Total - Big Four	24.3	23.4
Other TSE-1 listed brokers	-63.5	-58.7
All TSE-1 listed brokers	-39.2	-35.2

Source: Salomon Brothers

market of the new subsidiaries of the big banks, which have been permitted to issue bonds since last November. With their strong client base, they have already eaten into the revenues of the smaller brokers.

One manager at a medium-sized broker says: "We're in a race for customers now against the banks, but I cannot really see how we can win it. They already have the customers; we don't."

Commissions from equity issuance - which the banking subsidiaries are not yet permitted to conduct - have improved in the past year, as the number of new issues has risen slightly from its near-collapse of two years ago. But new issuance remains heavily circumscribed by the authorities because of the general weakness of the stock

market, inhibiting real growth potential.

And last year the deregulation of brokerage commissions began - a move likely to put further pressure on the securities sector. So far the impact has been limited, since the deregulated commission rates apply only to trades of more than ¥1bn; but in the next few years, the liberalisation seems certain to be extended to smaller trades.

Few other developments look positive. The Big Four have, in the past, been better able to offset domestic weakness with stronger growth overseas, but last year that escape route was cut off. The weakness of US and European bond and equity markets has forced all the leading companies to trim their operations there. Both Nomura and Daiwa announced significant cuts in their

European staffs earlier this year. They are focusing instead on Asia, where growth continues to be healthy.

Reset by a falling stock market, deregulation and stubbornly high costs, it might be thought that most brokers have a short future. But in fact they are protected from the risk of real collapse by a remarkably strong capital base. Unrealised gains from their long-term holdings of equities, and profits amassed in the boom years, mean the securities brokers have a cushion against their losses.

"Some of them are so well capitalised that they could just keep on losing money for another 10 years or so - slowly bleeding to death," says one analyst.

They have some of the highest capital ratios of any comparable institutions in the world - and the Big Four are particularly strong. Nomura, for example, has only just over half the asset base of Merrill Lynch, the US broker, but its share capital is three times the size of Merrill's.

If there is a threat to most brokers' survival, it lies probably in the risks posed by their affiliated companies. Many of them provide support to non-bank affiliates which

divided inadvertently into commercial property lending in the 1980s. The Big Four are particularly exposed to the housing loan companies, many of which have colossal totals of non-performing loans. If the brokers are eventually forced to contribute to the reconstruction of these companies, their capital strength is likely to be eroded.

Like the banking sector, the securities sector has not yet adjusted to the changed conditions of the 1990s. The industry still has companies and staff levels commensurate with levels of business activity several times higher than they have been for years, or are likely to be in the foreseeable future. And, like the banking sector, the only practical solution if they are to avoid "slowly bleeding to death" lies in consolidation.

But that may prove the most difficult part. Larger companies are strongly disinclined to weaken themselves by bailing out their smaller brethren in the broader interests of the industry as a whole. Persuading them otherwise will be one of the regulators' main functions for years.

Small brokers, too, are having to cut their costs

Special relationships offer little comfort

The recent announcement by Nomura Securities, Japan's top broker, that it was falling into the red for the first time in its history shocked the country's financial community. Difficulties facing the company, one of the healthiest in the industry, forebode even larger problems for smaller securities houses.

Nomura had been one of the few companies to avoid a deficit. And, since it was the largest of the country's Big Four brokerages, many of the smaller brokers had hoped it would conjure up a way to revive the faltering Tokyo stock market, and extend them a helping hand.

However, the fact that Nomura will post consolidated losses for the year to March, and has only managed to eke out moderate earnings on the parent base, has shattered such hopes.

The plight of Japan's leading banks has also cast a shadow over the bail-out scenarios which small brokers had previously seen as last resorts. In 1993, Nomura and three banks agreed to help Sanjo Securities with its restructuring programme, while Cosmo Securities was bailed out by Daiwa Bank, a commercial bank.

Japanese banks, envisaging future entry into the securities business, established ties with small and medium-sized brokers in the 1980s, exchanging shares and sending their employees to learn broking expertise. Large banks, however, are now facing problems of their own. They must deal with the mounting bad loans incurred during the late 1980s, and many have little capacity to help the brokers with which they held such special relationships.

The rescue of Century Securities, a small private broker, by the Brunel government, highlighted the growing inability of larger institutions to help smaller affiliates. The ailing Century, which had posted losses for the past three consecutive years and had exhausted its internal reserves, asked Daiwa Securities, with

which it had close ties, to help with its rehabilitation plan.

Daiwa in turn, looked to the Brunel government, with which it has personal ties, to rescue Century, and ended up buying 8m shares, or a 20 per cent stake, injecting ¥1.4bn capital into the small broker.

However, while financial aid by wealthy outsiders may keep the dwindling smaller houses from failing, it will not mean a dramatic recovery in the brokers' earnings, unless the market recovers sharply and the problem of over-capacity in the industry is solved.

Unlike the Big Four brokers,

grad its operation costs from ¥30bn at the peak of the market, to around ¥20bn. The company reckons that it can post profits on a parent level even with daily average trading volumes at 250m shares. A new profit-evaluation system is expected to raise cost-consciousness among employees.

With retail investors, their main clients, sitting on the sidelines, smaller brokers are likely to continue to experience tougher times. Mr Mark Faulkner, financial analyst at SG Warburg in Tokyo, says expenses have to fall by at least 15 to 20 per cent for the

Their operating expenses (%)	
	March '90 March '91 March '92 March '93 March '94
Big Four	53.1 72.7 98.1 104.2 86.8
Middle Tier	73.9 96.4 155.0 176.0 150.6
Others	70.2 90.9 121.1 151.3 104.9

Table shows operating expenses, as a percentage of operating revenues, of brokers listed on the first section of the Tokyo Stock Exchange. Big Four: Nomura, Daiwa, Nikko, Yamaichi. Middle Tier: Sanjo, New Japan, Kadokawa. Source: Salomon Brothers

which have managed to diversify their sources of profits to areas such as proprietary trading and underwriting, small brokers rely heavily on stock-broking commissions from retail investors. Since the Tokyo stock market hit its peak at the end of 1989, share prices and trading volumes have collapsed.

The prolonged slump has hit the small houses, which chose to weather the storm and have been slow in cutting costs. For three years in a row, they have based their profit forecasts on optimistic predictions of daily average trading volume at 400m to 450m shares - break-even levels for most of the smaller brokers.

The actual volumes have been around 350m shares or lower, and many of the small brokers have faced losses. The Big Four, on the other hand, have lower break-even points, and have also pressed ahead with their cost-cutting plans, trimming overtime and bonus payments, and through reduced depreciation charges. Nomura, for instance, low-

smaller brokers to post profits. "The big picture has changed and their corporate structure is inappropriate for the current financial environment."

Many of the brokers have said they will freeze recruitment and personnel reshuffling, shifting employees to affiliates and subsidiaries. Some have tried to cut their costs on infrastructure including computers, which they built up heavily during the late 1980s, by agreeing to share back offices with each other.

However some analysts expect positive results from cost-cutting measures to be harder to achieve amid the decline in market share of the smaller brokers. "Declining market share highlights the possibility that some of these firms may no longer be economically viable, particularly those for which equity brokerage is the main focus of business," says Ms Alicia Ogawa, analyst at Salomon Brothers in Tokyo.

Emiko Terazono

Global Systems Integrator

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That could be one reason why NTT DATA was tapped by Microsoft Corp. to join partners in the U.S.A. and Europe in developing interactive television services. NTT DATA will assist in systems integration to combine Microsoft's broadband network software with cable-TV transmission components and set-top boxes.

NTT DATA is also an important player in providing information services for Japanese company offices in the U.S.A. and European Union. In the U.S.A.,



NTT DATA President & CEO Shirou Fujita.

NTT DATA systems facilitate currency and fund dealing for major financial institutions. The UK branch of NTT DATA operates database services and works with the Brussels Engineering Centre in exploring new business opportunities.

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Since its founding in 1988 as a wholly owned subsidiary of Nippon Telegraph & Telephone, NTT DATA has consistently been on the cutting edge of new information technology. Its accomplishments include creation of the world's first paperless, patent application system—for the Japan Patent Agency—and the ANSER (Automatic Answer Network System for Electrical Request) used by over 600 major financial institutions to handle customer inquiries.

In the financial world, NTT DATA has designed information systems for the Bank of Japan, the Dai-ichi Kangyo Bank and Sumitomo Trust & Banking Co. It also created the powerful shared information system operated by the thousands of Japanese and foreign members of the Tokyo Bankers' Association, and the yen-dollar interest and currency futures trading system used by the Tokyo International Financial Futures Exchange.

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and handling almost 1 million transactions a day.

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For the future, NTT DATA plans to be a key player in the construction of the global "information superhighway" and a leader in multimedia technology. The company's in-house Research Institute of System Science is constantly exploring new approaches to integrating people and technology. NTT DATA maintains a close working relationship with the Boston Consulting Group and is also a founding member of the Intelligent Engineering Systems Laboratory at the Massachusetts Institute of

Technology. "The future is full of challenges," says Fujita. "In a world where information technologies are spurring ever more rapid change, we accept this challenge and are committed to respond to it with the creativity it requires."



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The Japan Patent Agency is streamlined by paperless application system

TOKYO CAPITAL MARKETS 4



A good place to be

Emiko Terazono examines the big banks' enthusiasm for Asia

David Haynes

Rising yen prompts moves

In an attempt to cover sluggish loan growth in Japan, the country's banks, which curtailed their international loan growth following the burst of the economic "bubble" of the late 1980s, are once again returning to the overseas markets.

The bulk of this lending growth has come from Asia, where the high economic growth and the sharp appreciation of the yen have increased demand from both Japanese and local businesses.

Last September, at the end of first half of the current business year, the banks' exposure to Asia had risen 12 per cent since the same point in the previous year, breaching the \$100bn level for the first time, according to Nihon Keizai Shimbun, the economic daily newspaper.

The leading banks have opened new offices in Thailand, China, Malaysia, and Vietnam, with Asian outlets accounting for all applications to the ministry of finance to open foreign branches during the past six months.

In contrast, reflecting the capital investment slump, domestic loans for the leading 11 city banks fell for the first time in decades.

Due to the yen's rise, an increasing number of Japanese companies have been forced to shift their domestic production bases to Asia, while the rising creditworthiness of Asian companies and governments has increased opportunities for the banks.

The demand from Asia for funds to finance the construction of industrial infrastructure to enhance economic development has grown sharply. The value of

loans syndicated for Asian countries in 1993 totalled \$29.2bn, while project finance loans totalled ¥14.8bn.

The Japanese banks' Asian loans to Japanese companies rose 8 per cent, while lending to local businesses and national infrastructure projects in Asia grew by 15 per cent. At September last year, Asia accounted for 36 per cent of foreign loans, as did Europe, while North America's share came to 39 per cent.

The Japanese banks, however, face fierce competition from western counterparts. European banks have a traditional foothold in Asia, while US banks, including Citibank, are aggressively expanding in the region.

The rise of local Asian financial institutions has also led to heightened competition in the region. According to the magazine *Asiamoney*, in 1993, Asian banks from Hong Kong, South Korea and Singapore led the list of leading arrangers of syndicated loans and project finance by value.

The leading question is whether the Japanese banks will resume their traditional strategy of trying to increase market share by keeping their profit margins razor-thin through offering clients low rates.

In the past, their international expansion has been accomplished in two phases. In the first phase, the banks followed their corporate clients overseas, which allowed them to contain the risk of their operations. In the second, they expanded their businesses by offering local compa-

nies sharply lower lending rates than their competitors. For instance, in the 1980s, UK building societies borrowed funds from Japanese banks at lower rates than funding from the bond market.

Some industry analysts believe that Japanese banks are aware of the criticism within the international financial community towards such tactics. "They seem to have learned something about expanding market share and destroying profit margins," says Mr Mark Faulkner, analyst at SG Warburg.

Japanese corporations face more pressure to improve their return on capital, as investors and the financial media have started to focus on the efficient use of corporate resources rather than market share.

The Sakura Institute of Research points out that, even if Japanese banks resort to low rates in an effort to attract business in Asia, it may not be enough to give them an edge over the competition. Asian companies and government organisations are more aware of fund raising through global financial markets by using sophisticated products, and they are starting to demand financial services that are comparable with those in the developed financial markets.

"Japanese banks have ample capacity to supply funds with their large assets and fund-raising ability, but they still have to improve their competitiveness in areas such as financial know-how and leading-edge financial technologies," says Mr Ken-ichi Takayasu, researcher at Sakura Bank.

Profile: Jiro Saito

A stoic lifestyle and a mission to keep the nation out of debt

In a country where authority rests with the group rather than the individual, and decisions are usually made by consensus, one man stands out for the enormous power he wields over crucial aspects of Japan's national policy.

Mr Jiro Saito, administrative vice-minister of finance, has been dubbed "the most powerful man in Japan," and is both respected and feared for the tremendous influence he commands in shaping key government decisions.

The pale-looking, bespectacled Mr Saito, who has the bureaucrat's sombre demeanour, has attracted more public attention — most of it antagonistic — than perhaps any other finance bureaucrat in recent history.

Although ostensibly it is the finance minister who has ultimate responsibility for matters relating to the nation's finances, the politically-appointed minister is like a puppet shogun, whose power is more symbolic than real.

Few finance ministers have had the temerity — not to mention, command of financial matters — to stand up to the decisions handed up to them by the brightest among Japan's elite, in accordance with the country's bottom-up decision-making tradition. As the highest-ranking unbureaucrat at the MOF, it is Mr Saito who holds the power.

In common with all high-fliers in the finance ministry, Mr Saito, aged 59, graduated from the law department of Tokyo University, and immediately joined the ministry's celebrated budget bureau, which is considered the nucleus of power within the mighty MOF. Those who do not make it to the budget bureau are said to be written off from the ministry's fast track.

After postings in various departments and two tours in Germany, he made his way to the prestigious post of director of the budget bureau, from whence he ascended to his current position. Within the MOF, he is

widely respected as a highly capable leader with firm beliefs. "Saito is a man of strong convictions who actually acts on what he believes in," says one finance ministry official. "That is not an easy thing to do in the face of enormous pressure from politicians," he adds.

Mr Saito's overriding goal has been to ensure that the nation's current account does not fall into deficit. He is credited with having masterminded the zero-ceiling and

His style goes down well with MOF bureaucrats, who are used to working late into the night at the ministry and must often pay their taxi fares out of their own pockets after the last train has departed. Finance bureaucrats, whose mission is firmly fixed on the business of guarding the country's purse, see a mirror image of themselves in Mr Saito, whose lack of social skills "is very representative of the ministry," says one grey-suited MOF man.

hiro Hosokawa on a road to eventual downfall.

The common perception has been that Mr Saito was the man behind the idea to replace a 3 per cent consumption tax with a welfare tax of 7 per cent, which was announced late one night by Mr Hosokawa. The proposal stunned the public, and caused a serious fissure within Mr Hosokawa's coalition government.

The incident secured notoriety for Mr Saito as the man who tried to obtain a hefty tax increase from the Japanese public at a time when many people, suffering from the impact of a prolonged recession, had serious concerns about what the future would bring.

It also left a lasting impression of the finance ministry's backroom manipulation of decisions, which many believe should be made by politicians. From that perspective, Mr Saito's increasingly conspicuous influence over policy decisions is a consequence of the relative weakness of the current coalition government. In the absence of strong political leadership, the finance ministry, led by Mr Saito, has been able to enforce its will unchecked, says one bureaucrat at another ministry.

As Mr Saito, whose influence and ability have been the focus of much public attention, steps down from his post this summer, his term in office nevertheless raises the question of what end his power has actually served.

In the prolonged recession, the Japanese government has had to resort to deficit bonds to pay for tax-cuts it introduced as part of an economic stimulus package. As one of his colleagues mused, given his unbending commitment to keeping the nation's finances balanced, it is ironic that, during his time at the top of the ministry, historic circumstance has forced Japan once more to issue the deficit bonds Mr Saito so hates.

Michio Nakamoto



Jiro Saito: Japan's most powerful man?

Rohrer

minus-celling principles in the early 1980s, which required ministries and agencies to keep their budgetary requests below the previous year's allocation. Helped by such measures, the government was able to stop issuing deficit bonds in 1990.

His unbending commitment to keeping the nation from falling into debt is admired in a ministry where the need to maintain sound finances is preached with religious fervour.

Mr Saito is also respected by his colleagues for his somewhat stoic lifestyle. He is said to shun the two most common social sins of the Japanese salaryman — entertaining and golf — and to find pleasure instead in the board game of *go* and mystery novels.

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Commercial property prices in Tokyo may have fallen by as much as 25 per cent in the year to March, and residential prices by 15 per cent, estimates one analyst

Real estate: William Dawkins unravels the prices paradox

A lesson from the OECD

Japanese property prices are a paradox: too high and too low at the same time.

The fall of roughly one-third in land values since Japan's asset price bubble collapsed in 1991, is the main factor in the banking system's weakness, its continuing burden of property-related bad debts.

Yet even after the property price decline, unprecedented in post-war years, the country's land values are high enough to constrain private consumption and hinder an already weak economic recovery.

So much so that the Organisation for Economic Co-operation and Development (OECD), in its most recent annual report on the country, singled out sky-high land and property prices as being responsible for many of Japan's economic problems.

The Tokyo government has promised to take the message to heart in its five-year deregulation programme, to be published shortly. The package is expected to include measures to ease some of the ownership and urban planning rules that contribute to high prices.

The signs are that, even after four consecutive years of decline, Japanese property prices are not yet at the bottom. They may even be heading for a fresh plunge, warn property analysts in Tokyo. Economic growth generally is still too weak for demand for commercial property to increase. The devastation wrought by the Kobe earthquake has shaken demand for cheap condominiums, the only type of residential property to show a brief price recovery last year.

Tokyo commercial property prices may have fallen by as much as 25 per cent in the year to March, and residential prices by 15 per cent, estimates Mr Mark Brown, property analyst at Barclays de Zoete Wedd in Tokyo. Nationwide, he

expects residential and commercial property prices to fall by something under 10 per cent this year.

That compares with the 4.8 per cent fall in residential property prices and 11.3 per cent decline in commercial property prices recorded by the National Land Agency in the year to March 1994. Judging by the difficulties experienced by banks in finding buyers for property collateral on their bad debts, property prices have yet to hit a market clearing level. Provincial property markets were spared the violent price swings that hit the Tokyo market, but they too are caught in the price slide.

The need to lay aside nine times average annual income, to buy a small home, helps make Japan's savings rate the world's highest, says the OECD

Yet even at these historically low levels, Japan's property prices remain among the highest in the world. The OECD's report argues forcefully that more deregulation of the property market would reduce business costs, increase the quality of life and boost consumption, with lasting benefits for the economy.

The need for people to lay aside nine times average annual income, at today's prices, to buy a small home, helps to keep Japan's savings rate the highest in the world, so inflating its politically troublesome current account surplus, the organisation points out.

High land prices also explain why Japan's overburdened infrastructure is well behind its economic wealth. Only 44

per cent of homes are connected to sewers, and Tokyo people have only 2.5 square metres of parkland a head, less than a tenth of the green space available to Londoners, estimates the OECD.

Equally, high land prices indirectly add to Japan's politically troublesome current account surplus, argues the report. It cites the cost of commercial space as a barrier to investment by small and medium-sized foreign companies (though not multinationals) - one reason why foreign corporate investment in Japan runs at one twentieth of Japanese investment abroad.

By any measure, Japanese

land prices are further above international norms even than its consumer prices, on average 80 per cent above the OECD norm. At \$1,800 a square metre, the mean price of Japanese residential land is more than 12 times that in the UK, the most expensive in Europe, says the OECD.

The Japanese government aims to reduce house prices to five times average income from the current nine times income. But to achieve this, another 21 per cent fall in values is needed, estimates the OECD. It is possible that the property market is heading in that direction under its own impetus. But the organisation says that existing government policies will not be enough to bring prices down that far.

Accordingly, the OECD recommends radical changes to the tax system, to make land more expensive to hold and cheaper to sell. It also calls for more flexible land-use laws, to make it easier for landlords to change the use of properties.

All this would enable a more efficient, and concentrated, use of land, an improvement on the loose sprawl of low rise buildings that characterise most Japanese cities. That, in turn, would increase the turnover of the depressed property market.

For, contrary to popular myth, urban Japan is not particularly crowded, just poorly planned. Tokyo's population density, for example, is less than one-sixth that of central New York City. The population density of urban Japan, at 2,900 people a square kilometre, is about the same as that of the Netherlands and less than those of Greece or Portugal.

Astonishingly, 15 per cent of the land area of Japan's three largest cities is farmland, double the housing area, says the OECD. On top of that comes a substantial acreage of vacant parking areas and derelict industrial sites.

City populations are high, because cities are more spread out than their OECD counterparts. Japan's largest cities sprawl across an acreage equivalent to half its farmland; the proportion for the rest of the OECD is 8 per cent.

Urban Japan's under-used expanses exist partly because capital gains taxes on land decline the longer it is held, the annual tax on fixed assets is very low, and land transaction taxes are high. All this

makes land cheap to hold and expensive to sell, a barrier to any property developer who wants to buy a large acreage and use it in the most efficient way.

Moreover, the law continues to give landlords no guarantee that they will be able to repossess property at the end of a lease. That gives existing landlords a clear disincentive to invest in more efficient use of typically under-utilised land.

It is as a result of these quirks in land-ownership laws that Japanese urban properties tend to be smaller than their US or European counterparts, and of uncertain value.

The government, however, is unwilling to let those values fall too fast towards international norms. That would be another severe blow to the banking system, because of the link between the value of its assets and property prices.

Is Tokyo's future really as gloomy as some predict?

Pessimism may be a ploy to hasten deregulation

Last year, a new fear began to grip Tokyo. Having witnessed the shift of manufacturing industry to places with cheaper labour, Japanese financial, political and media circles started to voice worries that the country's financial system could likewise be "hollowing out" - losing important areas of business to other financial centres because of high costs and excessive regulation.

On the face of it, the evidence looked clear-cut. Trading in Japanese equities was shifting to London. Companies were choosing to list on stock markets in New York or Hong Kong rather than Tokyo. Foreign-exchange trading was happening more or less anywhere - Singapore, Hong Kong, the UK, the US - except Tokyo. The Barings debacle more recently drew attention to the fact that trading in Nikkei futures is more active in Singapore than the home market of Osaka.

Is the situation really as dire as the newspaper editorials would have one believe? A closer look at the facts suggests that it is not. Take the question of the shift of equity trading from Tokyo to London. True, London's share of the turnover in first-section TSE stocks has been rising steadily for the past year or two. But rather than indicating a real, permanent shift from Tokyo to London, this is probably just a temporary phenomenon.

Daily turnover on the TSE is at a historically low level, because of the despondent state of the market. Last year, about the only active investors in Japanese stocks were foreigners - who quite often chose to deal in their own time zone - for example, in London. As when local investors return to the Tokyo market, the proportional significance of London trading will recede.

Admittedly, other areas have greater long-term problems; for example, the domestic Japanese bond market. It is cheaper for large Japanese companies to raise money from a Euro-bond issue than a domestic corporate bond issue. Few foreign governments or companies tap the Japanese domestic market, and those which do are mainly from less developed parts of Asia.

"There is great demand for yen finance, but many borrowers go to the Euroyen market," says Mr Susumu Kato, chief economist with CS First Boston in Tokyo. "There are a greater number of investors for Euroyen than just yen bonds, particularly in Asian countries. It is partly because of the withholding tax for yen straight bonds." An antiquated settlement system and traditional reliance on bank borrowings rather than debt issues are also factors.

But it is realistic to expect companies wanting to raise yen automatically to come to the currency's home market to do so? Even the rival world financial centres of London and New York do not have a monopoly on dealings in their own shares or fund raising in their own currencies.

As Mr Peter Fenichel, president of BZW Securities Japan, says: "New York is not an international financial market. Most people don't

finance themselves in dollars in New York." London is much more important as the centre of the Eurodollar market. "Why should Japan be any different?" he asks. "If Singapore becomes a viable, cost-efficient market, that does not diminish Tokyo."

The Japanese financial system's problems may have been exaggerated in an attempt to speed up the crawling pace of financial deregulation. Partly as a result of the publicity accorded to "hollowing out", a few more deregulation measures have been implemented, with more promised. Trading in new forms of derivatives has been introduced. Currency trading has moved to a 24-hour basis, rather than strict market hours.

The Tokyo Stock Exchange, worried by the large number of foreign companies delisting from TSE due to the high cost of keeping a listing and the low turnover, has launched a campaign to get Asian companies to list. To encourage them, rules for listing have been simplified.

But large portions of the two big stumbling blocks remain intact: taxation and regulation. High on the list of obstacles is the 0.3 per cent turnover tax on bond and share dealing. Commission structures need to be changed. Banks and securities houses would also happily see the back of innovation-unfriendly rules which mean that new products are regarded as forbidden until they are specifically approved.

Deregulation is happening, but very slowly. "The ministry of finance, the Bank of Japan, the Tokyo Stock Exchange have now pretty much agreed what the debate is - there is a broad consensus as to what the issues are. We are confident that, over a period of time, Japan will deregulate, but at a pace which feels proper for Japan," says BZW's Mr Fenichel.

There are forces working against it as well. Over the past year or so, the series of highly-publicised problems associated with derivatives (including Barings, Orange County and Metallgesellschaft) may have made the Japanese financial authorities feel their caution has been justified. But overall, the feeling is that deregulation is necessary and inevitable.

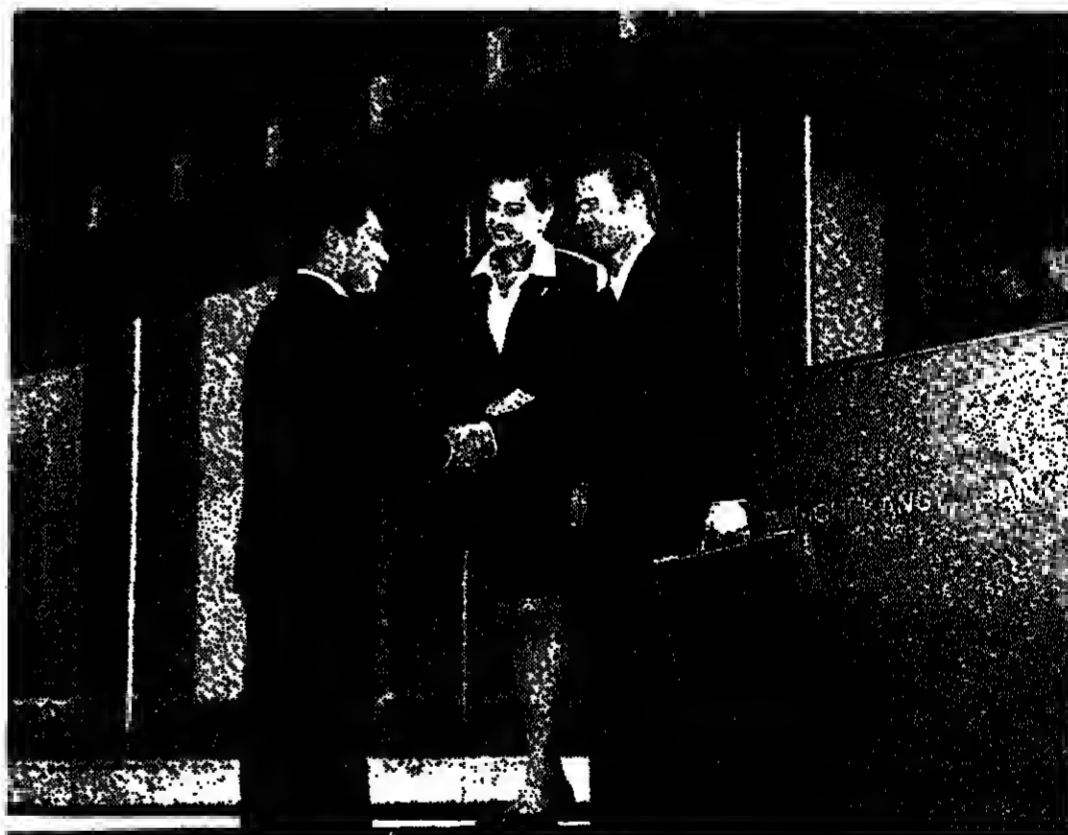
"If you don't have a domestic market that is vibrant and internationally competitive, you cannot be an effective international and global competitor," says Mr Thierry Porté, managing director of Morgan Stanley in Japan.

The debate over "hollowing out" is perhaps necessary, but a little over-pessimistic. "Of course, they are focused on hollowing out - Japan is in a recession," says Mr Fenichel. "Tokyo's financial markets may be feeling a little hollow, in comparison with the feast of the late 1980s, but they are a long way from starvation."

As Mr Porté says: "Certainly the Tokyo market has its problems, but it is a very large market with very substantial investor flows. Even if the market was purely domestic, which it is not, it would still be huge."

Bethan Hutton

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Bethan Hutton explains why the foreign community is restless

Exodus to Asia has slowed

Tokyo estate agents specialising in luxury apartments for foreigners have hit hard times recently. The steady flow of newly-posted American and European bankers and brokers has slowed to a comparative trickle, and what were once almost unlimited rental allowances have suddenly had strict limits imposed. A mood of belt-tightening among foreign financial firms in Tokyo is apparent.

Not only are fewer new employees arriving, but many have found themselves packing their bags earlier than expected, and heading either home or to other parts of the world where their companies hope business is better and costs are lower. Some have had to look for a new job altogether.

Mr Derek Rock, of recruitment consultants Stephens Associates in Tokyo, says: "The Americans generally are moving high cost bases - i.e., non-revenue generating areas of the business - to Singapore, or out of Japan. And whilst they are doing that they are cutting them back - if there is a department of 16 in Tokyo, it won't necessarily be the same in Singapore."

For a while it seemed that the Tokyo foreign financial community was being transplanted wholesale to Hong Kong and Singapore. A combination of reasons lay behind the shift. The high cost of doing business and accommodating staff in Tokyo was an important factor. The less regulated and taxed markets of Singapore and Hong Kong had their own intrinsic attractions. And poor market conditions in

Tokyo highlighted the relative vibrancy of other Asian markets.

But fashion is fickle. Mr Thierry Porté, managing director of Morgan Stanley in Tokyo, says that last year's trend of shifting staff to Singapore or Hong Kong is no longer happening to the same extent. "Asia outside of Japan was much more glamorous - but the boom seems to be stalled for the moment. There is some restructuring going on in all of those markets."

The cost advantages of other locations have also been eroded: the property collapse in Tokyo and the boom in Hong Kong mean that apartments in central Hong Kong are now more expensive than

Court - which are both expanding in Japanese equities. Smith New Court this month took advantage of Barings' problems to snap up 11 of its Tokyo analysts.

"There are companies, European companies, using the opportunities being presented by the fact that the Americans had a very bad 1994 and are cutting people, to build certain areas of their own business," says Mr Rock.

There is also some movement the other way: when S.G. Warburg pulled out of Eurobonds last year, the Tokyo Eurobond team had not even hit the streets before its members were picked up by other companies expanding in that area - Paribas, Lehman

For a while it seemed the foreign financial community was being transplanted wholesale to Hong Kong and Singapore. But fashion is fickle

in Tokyo, and Singapore is heading in the same direction.

Significant Tokyo staff-cuts by large American companies such as Goldman Sachs have been widely publicised, and may have heightened the feeling that foreign financial firms were leaving Tokyo in droves. But it seems to be the case that, while some are scaling back or shifting staff elsewhere, others are expanding.

True, two large American securities firms - Prudential and Kidder Peabody - recently sold their seats on the Tokyo Stock Exchange, signalling their withdrawal from Japanese equities. But the seats were bought by two European firms - Paribas and Smith New

Brothers, UBS, and Bear Stearns.

The changing nature of the Japanese market may also throw up some new opportunities for foreign firms. Mr Jim Walsh, a Tokyo-based former banker turned consultant, says there is evidence that Japanese institutional investors' demand for research is increasing. In the boom years, research was almost irrelevant. As Walsh says: "The fundamental question was, is this company on the Nomura buy list?" That changed with the bursting of the bubble. Research is one of the strengths of foreign brokers in Tokyo, so they may be able to compete on a more equal basis than usual with

domestic firms.

Mr Rock says: "Research is the primary function of the British houses, and whilst generally the Americans are cutting back on research, the British are not." Rather than spreading themselves thinly over the full range of business activities, companies are currently scaling back or dropping unprofitable or non-core areas to concentrate on products or markets where they have comparative advantages.

Foreign banks and securities houses are under no illusions that Tokyo is an easy place to make money at the moment. It is expensive, over-regulated, and over-taxed. But the long-term business arguments for staying put are still overwhelming.


"You are sitting in the equivalent of 70 per cent of the whole Asian economy here. It has political stability, no tanks in the streets. You don't have fraud and market manipulation, you don't have the problems you have in other parts of south-east Asia. This is not a market that can be ignored. If anybody is going to be in Asia, they have got to be here," says Mr Walsh.

As long as Japan has a large current account surplus, a high savings rate, and an enormous pool of assets, international financial companies will feel the need to maintain a substantial presence in Tokyo. And as Japan's links with Asia increase, its importance could grow rather than diminish.

The boom years are definitely over for those specialist estate agents, but they are not out of a job quite yet.

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 3.1% Notes due 1996
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Fuji International Finance PLC
 July 1994

WestLB
 WestLB Finance Curaçao N.V.
 Yen 10,000,000,000
 3.25% Notes due 1996
 Guaranteed by Westdeutsche Landesbank Girozentrale
 Bookrunner
Fuji International Finance PLC
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NORD/LB
 Norddeutsche Landesbank Girozentrale
 Yen 10,000,000,000
 3.15% Notes due 1996
 Bookrunner
Fuji International Finance PLC
 July 1994

DSL Bank
 Yen 5,000,000,000
 3.4% Notes due 1997
 Bookrunner
Fuji International Finance PLC
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NORD/LB
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The FT Review

FINANCIAL TIMES THURSDAY MARCH 30 1995

INVESTMENT

INVESTMENT

Hedge fund easy rider

Andrew Arends on a motorcyclist's view of emerging markets

You're one of Wall Street's legendary investors and you're pushing 60. You feel like taking some time off - so what better way to do that than a "once in a lifetime" trip to a motorcycle round the world - through desert and jungle - with your blonde, twenty-something girlfriend - all the time keeping your eye out for investment opportunities in emerging markets to help defray the costs.

No, this is not Fantasy Fund Management, but the true story of Jim Rogers, who, risking life and limb, rode his BMW around the world: from Killarney to Kazakhstan, through China, back to Ireland through Russia, then to Africa and through the Sahara down to the Cape, across to Australia, over to Chile and up through South America to the US. Rogers, 57, 6'000 miles and 13 months on the road, an expert on the emerging markets of the Hedge Fund Set.

But then, Rogers has never been a run-of-the-mill financier. A small-town boy from Alabama, he was educated at Yale and Oxford and has a roving libido. He found fame and fortune with partner George Soros at the Quantum Fund, which made a fortune on the Russian market in 1992. Rogers, in 10 or 20 years' time, will have a reputation as a market mover. He will have a reputation as a market mover. He will have a reputation as a market mover.

Investment Alert: On the Road With Jim Rogers
by Jim Rogers, Random House, £24.95 (available in the UK, 395 pages)

With just the bare essentials in the "International Investor's Toolkit" - including a portable radio, tapes of shortwave radio, tapes of the New York Times and the New York Times, and a small kit for foraging for food in the wilderness - Rogers and his girlfriend, Tatiana, have been travelling the world for the past few years. They have been travelling the world for the past few years. They have been travelling the world for the past few years.

There are some dramatic tales to the book with tales of greed, a murderous French travelling companion in Africa, and Tatiana's resourcefulness in preventing another near-fatal encounter - this time with a Shinghu Path barterista at a



Don't, *Security Analysts*. And, although it is not really an investment book for the average investor, it will interest his wife. It will interest his wife. It will interest his wife.

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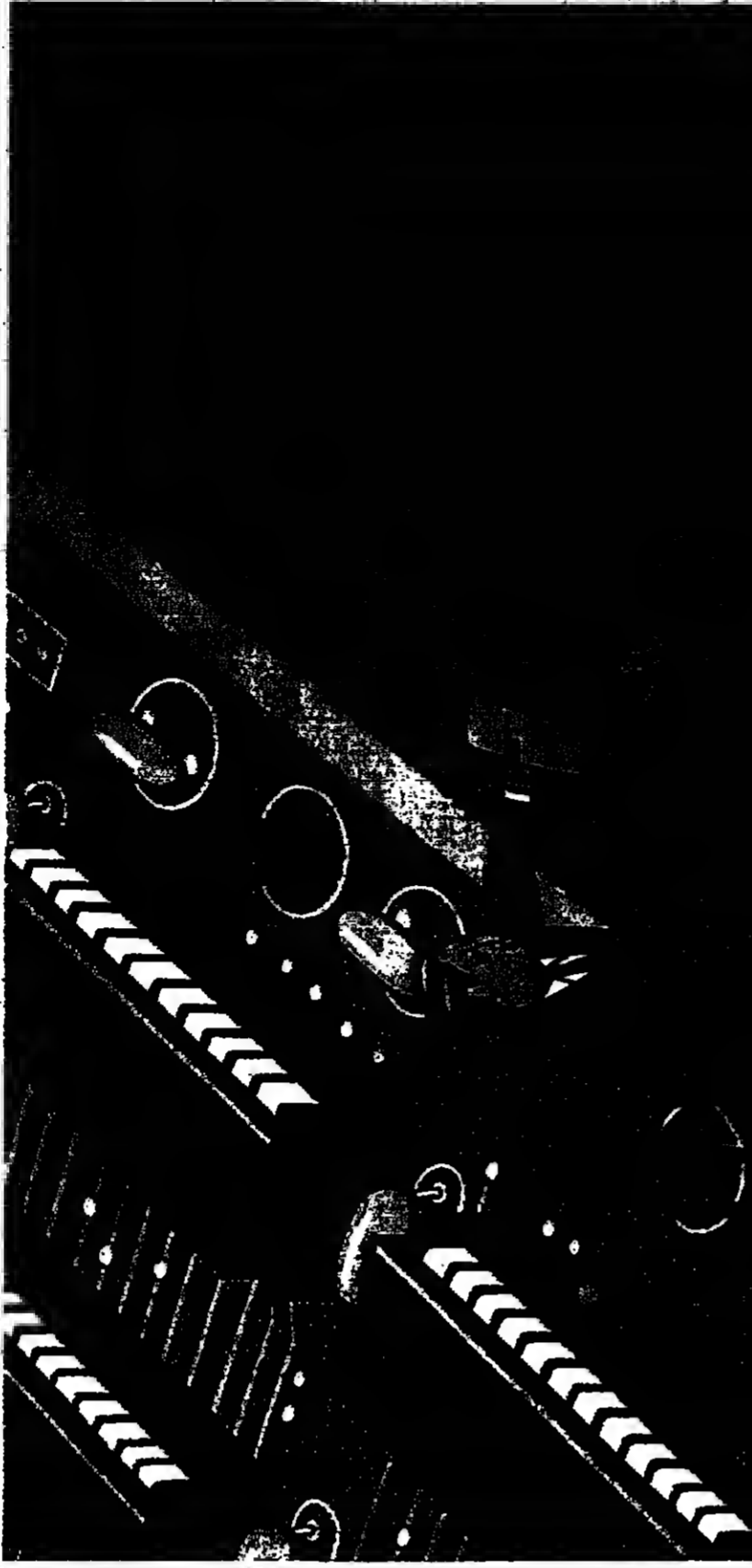
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The FT Review

SPRING 1995

Business Books



Are Britain's trade unions obsolete?

Truth, justice and accountants
Asian economies
South Korea, Singapore
German management style

He is surely right. On August 1 1914 the governor of the Bank of England told the chancellor of the exchequer that the City was "totally opposed" to British intervention in the war.

artificery as provincial
antithesis. The old order's pet
here was Edward Fielden -
self-made, Lancastrian and a
Liberal to boot. That
architect of the Midland
Bank as a major force, he
found it suitably difficult to
pound into the City's inner
circle.

Unlike Hobday, most of the
"460" were born to the
banking purple, and Cassels
depicts an omnivorous
trajectory: education at
public school and/or
Oxbridge, a London middle-
class or Midland or
Holier-than-thou

"entirely to the political class." He does not use this phrase "prisoners of immediate," but this is his thrust. He is surely right.

On August 1, 1914 the governor-memorandum of the Board of Engineers told the chancellor of the exchequer that the City was a "totally opposed" to British intervention in the war. Three days later Britain declared war on Germany; it was a disastrous development for the City, which mainly in the 1880s were begun to recover its pre-1914 position; yet there is no doubt

Few thousand polling across membership of the Carlton Club; every prospect of marriage into the landed aristocracy; and a fortune of between £100,000 and £500,000, any £5m-25m in current values. These, in short, were 'gentlemanly capitalists' writ large. Those who, according to fashion about the concept should ponder the evidence of this book.

It was a metropolitan

The omniphotocopy of bankers was one of many illustrations that the guns of August shattered.

sel belief that the judiciary had failed the nation in the interwar period. Two government inquiries in 1919 and 1925 had damaged the image of the private milling companies, which were thought to be unable or unwilling to carry out the necessary reorganisation. David Greasley argues in his contribution to the book that the response of the mill owners to the difficult markets of the 1920s and 1930s had been economically

could have been achieved on a regional basis, perhaps involving a mixture of public and private ownership.

But there was a feeling even within the Westminster condition government that the resistance of vested interests would call for more drastic measures; as a health minister put it in 1934 "there surely came a time in the history of a nation when he who tinkers

The Political Economy of Nationalisation in Britain, 1920-1990
edited by Robert Millward and John Simpson, Cambridge University Press, £35, 325 pages

Miners in East Lothian playing cards during the 1920 general strike.

their logical conclusion: reforms that had been made by Conservative governments in the 1920s and 1930s. In the railways, for instance, the Railways Act of 1921 had brought about the reorganisation of the industry into four regional groups and by the late 1930s

debate. "There was, of course, a strong anti-capitalist bias in the Labour party, which had found expression in Clause Four of the constitution, calling for "the common ownership of the means of production, distribution and exchange".

Ruggero Romano draws an interesting contrast between the Labour government's approach to the new large public corporations and the Conservative approach to the utilities and other basic industries which were taken into public ownership, the outsiders make it clear that the title is favourable to the government of stronger government.

They owe their authority to self-evidently superior technical skills and expertise, which make subordinates naturally inclined to respect their commands. The German working environment is more hierarchical than in the UK - but German managers are not authoritarian. They take delight in being seen as an

the sense is underscored by the UK's preoccupation for mobility. The world for UK companies could be the more jobs, the merrier: a successful manager is one who has moved about a lot and who is willing to take on jobs for which he or she might not have any direct experience, in a

Managing in Britain
by Rosemary Stewart, Jeanne Hare-Dieter Gahner and Macmillan Press

This would not work so well in a German brewery. Contrary to popular belief—in the UK at least—German brewers have a sense of humour. But, the authors of *A Fascinating History of Middle Managers in Germany* and the UK conclude, humour is used much more sparingly

in sensitive situations, so often a blow or disclaimer.

"Humour," the authors observe, "is used as a channel for making oblique statements which avoid head-on assertion. It is the natural instrument of ambiguity."

Humour, ambiguity and obliqueness—these qualities are not prevalent in the German workplace.

German managers communicate with their subordinates in a direct, unambiguous manner. They make

Technical skills and experience, which make subordinates naturally inclined to respect their commands. The German working environment is more hierarchical than in the UK - but German managers are not authoritarian. They take pride in being seen as an ordinary member of the workforce, rather than as superiors.

They see no distinction between doing a technical job and being managers. In the UK, by contrast, "technical jobs" seem as separate from management as apples and oranges.

UK context: this flexibility, evidence of there, incalculably

Managing in Britain
by Rosemary Stewart, Jean Hare-Dierle Glatzer and Macmillan Press
Simply Put: How German Companies Compete
by partners in McKinsey, H&P £27.95

In the UK, jokes are taken extensively as a way of taking the edge off brusque instructions, of cancelling any suggestion of authoritarianism. They will be used

more prolifically than in the UK, counterparts, but these conversations last less time than in the UK. Meetings are highly structured and also take up less time than in the UK.

German managers, unlike

The lack of direct compe-

Global markets, transforming technologies, intensifying competi-

worked in the past rather than detailed prescriptions of what assuredly will in the systems as a way to behaviour by inhibiting human idiosyncrasies

utions which are profoundly different from those prevailing in the UK.

rather than managers, economically dedicated to business for their products and staff.

ing have contributed to making the last 10 years a tough period for big business. Yet for just these reasons, 1994 was a good year in which to launch a serious venture in business publishing.

The more uncertain is the corporate environment, after all, the better it is for publishers of change. The longer it rains at the top of large

...), the past decade didn't have too many other alternatives than stock market investors as the only proxy of what is best for shareholders," observes Jay Lorsch, professor of Human Relations at Harvard Business School. "Given the realities of today's increasingly global marketplace, such reliance

that treats people more as assets to be developed than as costs to be controlled.

This emphasis on nurture as well as on policy addresses the assets that while the cross-functional leadership is widely trumpeted, is least by an essay by Peter Keen on humbers and future marketing technologies. It also includes a foreword by Richard

Business publishing is so full of quick gains peddling simple solutions, however, that it is a great relief when

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deriva and competitiveness and free trade. But my personal favorite was Porter's "Competitive Strategy Revisited: a View from the 1990s" in which he reviews his own ideas of competitive advan-

During this period, pieces by (among others) Charla Haady, Michael Porter and Christopher Bartlett/Simonsohn's Glushko provide a highly readable if selective summary. At the same time, the 14 authors are all for a "wait-look" each from a

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researcher says people are seeking to explain a world in which knowledge, not capital, is now the chief resource and where the corporation's role, viability and structures are in question as never before.

As one might expect, there are some dissenting voices among philosophers. "They also talk about the philosophy of defining a new component of purpose that 'retreats the company's responsibility to it and interdependence with a broader group of stakeholders,'" they suggest, "and holders," they suggest, "must penalize if immoral mis-

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the form of new questions arising from what has not

ter is that they get mistaken for strategy.

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It should prove a useful practical tool for UK or US executives who find themselves working in or dealing with Germans. German tend to compartmentalise their time and space more rigidly than their 'Anglo-Saxon' peers, and these barriers should not be violated. It is

in Germany

Julia Barcock, Allied Klees, 530, 226 pages

that Germany often suffers that German enjoy a competitive advantage because of the phenomenon of the *Mittelstand*, the mid-sized companies which form the backbone of the German economy. Simply put, it seeks to offer an insight to those who makes these companies successful.

The answer, according to McCleury is that the *Mittelstand* companies which form the backbone of the German economy. Simply put, it seeks to offer an insight to those who makes these companies successful.

downright rude to turn up late for a meeting or to barge in on someone's office hours.

Unfortunately, the book's arguments are both strong and rather complicated, a point by convoluted sentences such as the following: "The best performer will be the one that is best at managing simply by interacting simply by interacting."

The study also ignores the human side to *Mittelstand* companies' success namely that they are often

But part of the answer must lie in the Germans' entrenched approach to business and their reverence for

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FT Review of Business Books



The nation state's new tasks

Stephanie Flanders on the effectiveness of international co-operation

This is a book both blessed and cursed by its publication date. It is a book that should have been written a long time ago, but it is still relevant today. It is a book that provides a comprehensive overview of the challenges facing the world today, and it is a book that provides a practical approach to addressing these challenges.

Governing the Global Economy: International Finance and the State
by Ethan B. Kapstein, Harvard University Press, £23.95/\$35.95, 224 pages

Some simply welcome the globalisation of capital and goods, others see it as a threat to their way of life. This book provides a comprehensive overview of the challenges facing the world today, and it is a book that provides a practical approach to addressing these challenges.

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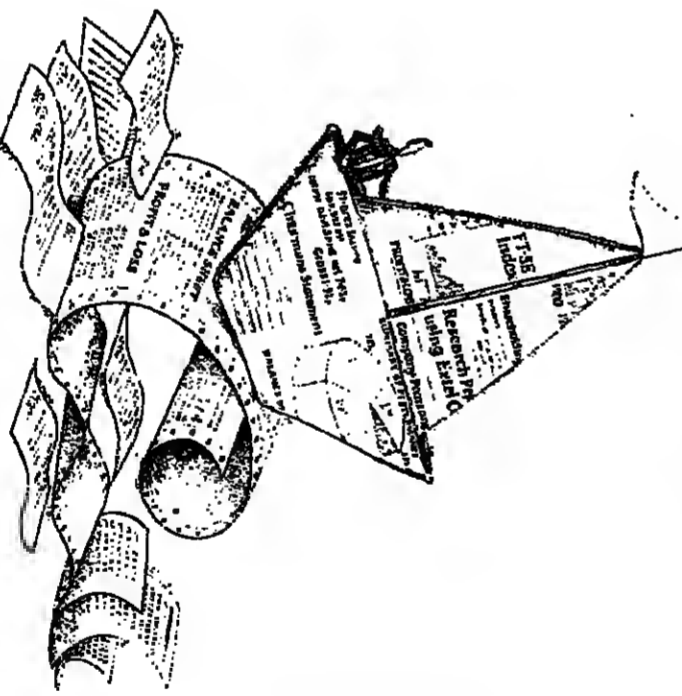
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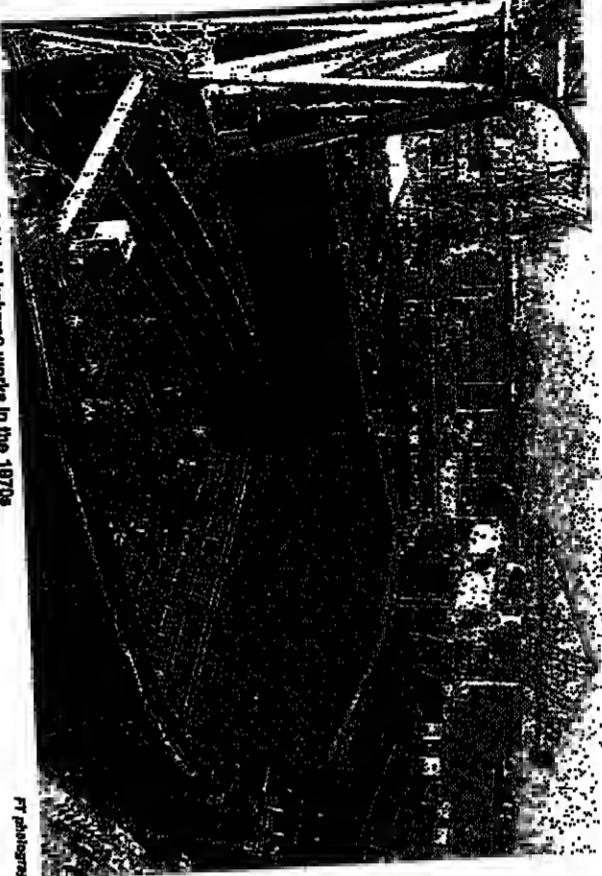
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UK SHIPBUILDING

Nemesis down the slipway

Charles Batchelor finds this account rich in anecdotes but deficient in analysis



Shipbuilding in Middlesbrough's yardhouse works in the 1970s

An account of the decline of yet another industry where Britain once led the world suggests a depressing outlook. A jaded illustration of the Aqueduct on the stocks on Cydonia, of a quarter of a century above a quarter of a century, however, is a picture of the industry in 1980, hints at the nemesis waiting down the slipway.

Anthony Burton's history of British shipbuilding does tell a story, but it is not one of a steady decline. It is a story of a long history of craft-based techniques, who swopt to prominence after the war. The British yards, monoliths, were the early days when a single inventor could revolutionise production methods and the later period when industrial techniques were increasingly applied.

It is a story of a long history of craft-based techniques, who swopt to prominence after the war. The British yards, monoliths, were the early days when a single inventor could revolutionise production methods and the later period when industrial techniques were increasingly applied.

though the Cutty Sark, the fastest clipper of the 19th century, was built in the yards of Greenhithe, was now in the hands of a foreign owner. Long-distance seafaring was a thing of the past. Initially, shipbuilding was a craft-based industry, but it was not long before it became a large-scale industry. The yards were now producing ships for the merchant fleet, and the industry was becoming increasingly mechanised.

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SOUTH KOREA

Liberalisation: the issue grows more urgent

Peter Montgomerie looks at the prospects for social change

South Korea is in the throes of a dramatic transformation. The country is moving from a dictatorship to a democracy, and the process is well advanced. The country is moving from a dictatorship to a democracy, and the process is well advanced.

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Whether the pace will turn out as fast as this would like may be another matter. But the country is moving from a dictatorship to a democracy, and the process is well advanced.

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